



## EUROPEAN NEWS

Radical economist urges west to scrutinise Soviet anti-crisis programmes closely

## Yavlinsky warns against aid for Moscow

By John Lloyd in Moscow

WESTERN countries should not try to give assistance to the Soviet Union while its reform process is set according to the government's anti-crisis plan, according to Mr Grigory Yavlinsky, the radical economist and former Russian deputy prime minister.

He calls instead for the most severe examination of the *current* programme and of *future plans* - the only outcome, he says, which would make the Group of Seven agreement to engage with Soviet reform a success.

Mr Yavlinsky drafted an economic reform programme called "Window of Opportunity" with the aid of US scholars at Harvard University, and held long talks with Mr Mikhail Gorbachev, the Soviet president, before the

London G7 summit to press him to make the plan his own.

"He told me: 'Look, I'm taking your ideas to London, they are part of the proposals.' But I told him: 'It's not enough,'" he said yesterday in an interview.

Mr Yavlinsky, though announced as a member of the official Soviet party, decided not to go because his plan was, in his view, diluted with other proposals with which he did not agree.

"People would ask me in London: 'What are your ideas on privatisation, or on price liberalisation?' I could not go there and say I did not agree with the president if I was part of his team."

Mr Yavlinsky's biggest fear now is

that the west has given the wrong signals to both the Soviet government and the Soviet people.

"They all came back from London and talked about our great victory. But what victory? When the G7 talk of giving assistance in spheres like defence conversion, energy, food distribution and transport - how can they, where in all these areas an old system is rotting?"

I think that these people, like [prime minister Valentin Pavlov and first deputy premier Vladimir] Shcherbina, are still thinking with the mentality of the 1970s.

"They talk about the importance of foreign investments, not about assistance. But if there's no credit and funds from the west then

nothing will change.

"Foreign investments are not good for our people in themselves. They will work in the companies, but they will not have any opportunity to start in business on their own account. In our plan there was a provision for a privatisation fund which would have allowed people to become owners."

The government has said that my ideas are too radical, that people will not bear them. But why should it just be stupid ideas that are radical?

"Taking away people's money [in the form of 50 and 100 ruble notes, as the government did in January] or putting up prices by three times - these are really radical ideas. But they are stupid, they have no effect whatsoever."

"Why should it just be the radically stupid ideas which we implement, not the radically good ones?"

Mr Yavlinsky is, however, not about to go into a surly opposition. Instead, he says: "Gorbachev told me before he went to London that he will be busy this week with the Communist party central committee plenum [today] but that after that, we should work together again."

"People will say that we failed twice - with the 500-Day plan [of which he was co-author with Professor Stanislav Shatalin and others] and now."

"But I am prepared for a long hard struggle. I am thinking now about what will happen if all these efforts fail."

## Killings mark most violent day in Yugoslavia

By Laura Silber in Belgrade

TWENTY people were reported killed yesterday in clashes between Serbs and Croats in the worst day of violence in Yugoslavia this year as the country's leaders gathered for peace talks.

The Croatian news agency reported that 14 Croatian guardmen, five civilians and one Croatian policeman were killed in fighting in Mirkovci, a Croatian town about 120km north-west of Belgrade, the Serbian and federal capital.

Belgrade television said 16 people were killed altogether.

The violence forced the closure of the main railway between Zagreb and Belgrade, causing long delays for train passengers.

In conflicting reports, Tanjug, the Yugoslav news agency, said Croatian police and soldiers from the Croatian national guard launched three attacks on Mirkovci from surrounding villages. The first began at 5.30am, and was followed by others at 7.30 and 12.30. A Serbian villager "had his throat slit while defending his village", said Tanjug. The number of injured yesterday could not be confirmed.

Tanjug reported that federal army units were prevented from entering Mirkovci yesterday morning, and that Serbs in the villages had appealed to Serbia for assistance.

Croatian police, however, said that Serbian nationalists attacked the neighbouring towns of Vinkovci and Stari

Jankovci with mortars and machine guns.

About 30 people have been killed since Saturday in clashes between Serbs and Croatian police and national guardmen. Croatian forces are trying to reassert the republic's authority over Serb-populated territories in eastern Croatia. Serbs, who make up 12 per cent of Croatia's population of 4.7m, are resisting Croatia's moves towards secession.

Fighting between Croatian police and Serbs was also reported yesterday in the village of Plaski, about 100km southwest of Zagreb, the Croatian capital.

The state presidency and the presidents of the six republics were due to start peace talks yesterday in Obrid, a town in the southern republic of Macedonia.

Mr Vasil Tupurkovski, Macedonia's representative to the eight-member federal presidency, yesterday said he expected them to sign the "Obrid document" calling for a non-aggression pact between the republics and concrete negotiations on a peaceful resolution to the crisis.

Mr Tupurkovski said Yugoslavia's leaders would also consider the situation in Croatia in an attempt to stop violence growing.

A plan drawn up by the federal government to keep the economy functioning was also on the agenda for yesterday's meeting.

## EC ministers have taste for tradition

By Andrew Hill in Brussels

FRENCH pâté de foie gras, Greek ouzo, German beer and other traditional European specialities may be safeguarded from artificial additives under proposals agreed by European Community internal market ministers yesterday during lengthy debate on a sweeteners directive.

However, the meeting left open how such safeguards will be put into practice.

To placate Germans - the EC's biggest beer-drinkers - ministers agreed a statement which would allow member states to maintain existing legal prohibitions on artificial sweeteners for "traditional beer or for traditional manufacturing processes for beer".

Mr Piet Dankert, Dutch European affairs minister and president of the internal market council, said: "The idea is that the same principles could be adopted in future for other products."

However, it is unclear whether the declaration can be transformed into a legal text, and how member states will define "traditional processes". As it stands, the declaration would allow brewers from all EC countries to set up in Germany, and use artificial additives in their beer, but not to describe the product as "traditional German beer".

Separately, ministers reached informal political agreement on four pharmaceuticals directives covering labelling, legal status, wholesaling and advertising. On the last measure, they agreed that drug

TETRA PAK, the Swiss packaging group, has received formal EC approval for its SKR16.25bn (21.5bn) bid for Alfa-Laval, the Swedish dairy and food processing equipment company.

Suspension of the bid was lifted at the end of May because Brussels did not want to hold up the merger.

Formal approval had to wait until the case had cleared various official procedural hurdles.

The Commission had been worried about the possible impact on rival manufacturers of a merger between a packaging group and a processing group, which would be able to supply dairies, for example, with an entire cow-to-curd production line.

But the Commission said yesterday that its inquiry had shown that "the ability to offer both types of machines under a single aegis would not materially benefit the merged undertaking compared to its non-integrated competitors".

Companies could continue to sponsor scientific conferences and use "before and after" advertisements showing the effects of a product, provided they were not misleading or frightening.

Member states will have discretion over the amount of technical data which has to be printed when advertising drugs in medical journals.

## UNITED STATES



Defence defence: General Colin Powell (right), US Armed Forces Chief of Staff, and his Soviet counterpart, Gen Mikhail Gorbachev, take the salute from a guard of honour after Gen Powell's arrival in Moscow yesterday for a six-day visit

## Comecon's divorce bogged down in property squabble

By Leyla Boulton in Moscow

AS IN MOST divorces, Comecon, the Soviet-led trading organisation, has become bogged down in a row over property, as the Soviet Union and its former Communist satellites try to put an end to their 42-year partnership.

Next Monday, representatives of the nine member states - the Soviet Union, Poland, Hungary, Czechoslovakia, Romania, Bulgaria, Vietnam, Mongolia, and Cuba - will try again to agree on a value for Comecon assets, featuring a Moscow skyscraper and a hotel.

The Soviet government has told its partners it is going to buy them out of the 30-floor skyscraper, which houses Comecon headquarters on a prime site overlooking the Moscow river. The member states, already unhappy about giving up the building, were horrified

to find that Moscow was offering a mere Rbs31m (\$16.5m at the commercial rate).

This amount, to be divided among the nine, is the book value based on the contributions of Comecon states in the 1990s for the construction of what, it must be admitted, is an ugly edifice. However, it is clear that this cannot reflect the building's present value.

According to one estimate, based on supply and demand to Moscow, the building could fetch up to Rbs600m.

The eastern Europeans had initially sought to keep the building as offices for their own business people to pursue trade with the Soviet Union. But Moscow, invoking a 1989 clause which blocks any disposal of Comecon property without its agreement, is giving its partners no choice in the matter.

The issue must be resolved by September 28, the date set for the final liquidation of Comecon.

The Soviet state is determined to reclaim the building, although the price is still negotiable. Meanwhile, the other delegations are desperately trying to work out a value for the building - no mean task, given the skewed nature of Soviet accounting and the absence of a real property market in the Soviet Union.

As for the Mir Hotel next door, that is the subject of a separate dispute, where the Soviet side is said to have simply cancelled its partners' claims on the establishment.

The Soviet Peace Committee, meanwhile, has had no qualms about asking Comecon to give away its holiday complex outside Moscow - to a charity for the victims of Chernobyl.

The issue must be resolved by September 28, the date set for the final liquidation of Comecon.

The issue must be resolved by September 28, the date set for the final liquidation of Comecon.

The former head of the late President Nicolae Ceausescu's Securitate secret police was found guilty yesterday of abetting genocide. He was sentenced by the military's supreme court to nine years in prison, AP reports from Bucharest.

In its 20 decision, the court charged the charge against General Ilie Vlad without explanation from "complicity in genocide", which carries a maximum life sentence, to the lesser "favouring genocide", with a 10-year maximum.

The court also stripped Gen Vlad of his rank. His lawyer said he would appeal.

The Financial Times (Europe) Ltd

## NEWS IN BRIEF

## Germans at odds, opinion poll shows

EAST and west Germans like each other less than they did when their two countries united last October, according to an opinion poll published yesterday. Reuter reports from Bonn.

The poll in *Der Spiegel* magazine, the first to compare the mood throughout Germany in mid-1991 with that when East and West Germany merged, showed a nation still deeply divided.

Easterners and westerners agreed on little more than that unification was proving more difficult than expected.

West Germans, asked how much they liked easterners on a scale of -5 to +5, gave them just 1.1, down from a score of 2 last October. East Germans' liking for their western compatriots fell to 1.7 from 2.7.

Contradicting the optimism of politicians who say Germany is growing together, large majorities in both parts of the country agreed with the statement: "Only after unification has it become clear how different east and west Germans are".

German communist leader Gregor Gysi said yesterday his party had begun a campaign of civil disobedience to protest against the freezing of its assets by the government's privatisation agency, Reuter reports from Berlin.

Mr Gysi said he had locked all documents on the assets of his Party of Democratic Socialism (PDS), sought by officials investigating the wealth of former East German parties, in his office and would defy attempts to seize them.

## Turkish party outlawed

Turkey's constitutional court ruled yesterday that the country's communist party was illegal and ordered it to close, Reuter reports from Ankara.

It said its manifesto included unconstitutional principles aimed at establishing the supremacy of one social class over others, the statement agency reported.

Turkey's chief prosecutor, Mr Haluk Yavuz, asked the court in June 1990 to order the closure of the United Communist party (TKP) 10 days after its formal launch.

The court's decision was expected to try to unite a party which has been sharply divided in

resources - is still some years away. There would be widespread congressional opposition to full membership without evidence that the Soviet Union had moved towards a market economy.

Criticism of the IMF quota increase ranges from liberal Democrats concerned that it is not doing enough to help the environment and the poor, to conservative Republicans alleging that its loans prop up socialist and communist regimes.

Senator Leahy argues that the IMF has not responded sufficiently to a 1989 law urging more attention to environmental preservation in its protocol.

The senator has been quoted in the *New York Times* as saying: "The IMF kind of treats it [the Senate] with an Olympian disregard, that mere mortals at the US Senate couldn't possibly understand all the decisions they have to make. We mere mortals, however, can't understand why they need all that money."

The administration is likely to step up pressure on the key legislators to agree to the quota increase for the next fiscal year.

In the past, congressional sensitivities over this issue explain why the US has supported only special associate membership for the Soviet Union to the IMF and World Bank, and why the question of full membership - a military dictatorship.

Congressional sensitivities over this issue explain why the US has supported only special associate membership for the Soviet Union to the IMF and World Bank, and why the question of full membership - a military dictatorship.

BRITISH COLUMBIA'S new premier, Mrs Ritz Johnson, is expected to decide within the next few days whether to call an early election in Canada's westernmost province.

She emerged as successor to the colourful Mr Bill van der Zahn at a Social Credit party convention in Vancouver at the weekend. The latter was forced to step down three months ago after disclosures of conflict of interest in his dealings with a wealthy Taiwanese investor.

Mrs Johnson has promised to try to unite a party which has been sharply divided in

## British Columbia poll decision expected soon

By Bernard Simon in Toronto

BRITISH COLUMBIA'S new premier, Mrs Ritz Johnson, is expected to decide within the next few days whether to call an early election in Canada's westernmost province.

She emerged as successor to the colourful Mr Bill van der Zahn at a Social Credit party convention in Vancouver at the weekend. The latter was forced to step down three months ago after disclosures of conflict of interest in his dealings with a wealthy Taiwanese investor.

Mrs Johnson has promised to try to unite a party which has been sharply divided in

recent years over its leadership and policies. Social Credit's policies are among the most right-wing in mainstream Canadian politics.

The next provincial election must be held before the end of this year. However, the party is running well behind the left-leaning New Democratic party in public opinion polls.

The NDP, which is favoured to win, could be hurt by the recent performance of its counterpart in Ontario, which has trebled the provincial deficit and imposed a more ideological form of government than Canadians are used to.

## Prosecutor urges life for Argentine mutineers

By John Barham in Buenos Aires

AN ARGENTINE prosecutor yesterday demanded life sentences for the leaders of the short-lived army mutiny of last December.

In his closing statement at the trial of 15 rebel officers, Mr Luis Moreno Ocampo, chief federal prosecutor, said the uprising was an attempt to overthrow the military dictatorship.

It said its manifesto included unconstitutional principles aimed at establishing the supremacy of one social class over others, the statement agency reported.

Turkish chief prosecutor, Mr Haluk Yavuz, asked the court in June 1990 to order the closure of the United Communist party (TKP) 10 days after its formal launch.

The court also stripped Gen Vlad of his rank. His lawyer said he would appeal.

The former head of the late President Nicolae Ceausescu's Securitate secret police was found guilty yesterday of abetting genocide. He was sentenced by the military's supreme court to nine years in prison, AP reports from Bucharest.

In its 20 decision, the court charged the charge against General Ilie Vlad without explanation from "complicity in genocide", which carries a maximum life sentence, to the lesser "favouring genocide", with a 10-year maximum.

The court also stripped Gen Vlad of his rank. His lawyer said he would appeal.

The Financial Times (Europe) Ltd

WORLD TRADE NEWS

## Sonatrach to look at plan for \$400m plant

By William Dawkins in Paris

**S**ONATRACH, the Algerian state oil and gas monopoly, has signed an agreement to carry out a feasibility study with Total and Arup, respectively the French and Italian government-controlled oil and gas groups, for a \$400m (£240m) plant in Algeria.

The plant, at Arzew in the north of the country, would

make MTBE, an important ingredient of unleaded petrol, and is expected to come into production within three years hence, said Total. Ownership is expected to be equally divided among the three partners, with output of about 500,000 tonnes a year would be partly for their own use and partly for export. The first stage will be to select

an engineering group to start technical studies, on the basis of which final details would be agreed.

This marks a new stage in the growing collaboration by Total and Sonatrach, which took a big step forward in May, when the pair signed five oil and gas development, operation and exploration contracts.

## Algeria offers oilfield stakes

MR Sid Ahmed Ghosali, the Algerian prime minister, has proposed a radical change in energy policy which would permit international oil companies to buy a stake in oil fields currently in production, writes Francis Gillies.

Foreign oil companies had 51 per cent of their assets nationalised in 1971, a percentage increased to 100 per cent by the late 1970s. Only Total has retained a one-third stake in the small Mersakel field.

Since 1988, oil exploration policy has been slowly liberalised. A number of foreign companies have been attracted back and spent \$500m (£302m) over the past five years. This

could be increased when a double taxation agreement with the US is concluded, bringing the hope of investments from such major US oil companies as Chevron, Amoco and Texaco.

International oil and gas companies are also hoping that Mr Nordine Ait Laoussine, Algeria's new minister of energy, might go further and allow foreign companies which were drilling for oil and discover gas, a stake in the production and export of that gas.

The recent agreement between Algeria, Spain and Morocco to build a second gas pipeline across the Mediterranean and the Italian-Algerian agreement to double the capacity

of the existing gas pipeline to Italy, would strengthen such a policy shift.

The changes suggested by Mr Ghosali last week would help Sonatrach boost second

oil recovery and thus production in the oil fields around the major production center of Hassi Messaoud.

The current average recovery rate is 16 per cent compared with 35 per cent in the North Sea, and 40-70 per cent in Louisiana, where conditions are comparable with those in Algeria.

The foreign investment from such a policy change would help to reduce Algeria's borrowing needs and increase income much needed to service its large foreign debt.

## EC to probe recordings piracy in Thailand

By Andrew Hill in Brussels

THE European Commission is to investigate the widespread piracy of sound recordings in Thailand, which the EC record

industry says has cost it Ecu200m (£140m) over the last

10 years.

The EC investigation will be pursued under rarely-used 1964

legislation aimed, in part, at

protecting EC industry against

illegal commercial practice. If

the complaint is upheld, trade

sanctions could be imposed.

EC record manufacturers

alleged that Thailand was

breaking the Berne convention

on copyrights by not providing

protection against piracy.

The EC move will add to the

international pressure on Thailand

to take on patent and

copyright pirates. In April, the

US plucked out Thailand, India

and China for priority action

under its 1989 trade act.

Thailand adopted a copy-

right law in 1978 which seemed

to conform with the Berne con-

vention, but the European

bureau of the International

Federation of Phonogram

Industries says because that

pirate recording is such a big

operation in Thailand the law

is not providing sufficient protec-

tion. This follows a memorandum

of understanding reached three

## France warns on Uruguay Round

By William Dawkins in Paris

FRANCE will not surrender its agricultural and industrial policies in the Uruguay Round of talks under the General Agreement on Tariffs and Trade (GATT), Mr Dominique Strauss-Kahn, French minister and foreign trade minister, has warned.

He dismissed as "unbalanced" and "to the detriment of Europe" latest options for agricultural trade, tabled by Mr Arthur Dunkel, GATT director-general, to try to

re-launch the stalled negotiations on the future of GATT.

In a paper indicating that France will push for a tough European negotiating stance in the talks, Mr Strauss-Kahn

warns: "There is a great risk

that Europe may align itself

with the lowest common

denominator."

He exhorts France's European partners not to accept an agreement in GATT without considering the costs. After all, the volume of world trade rose by 2.5 percentage points annually between 1986 and last year, while there was no agreement on GATT reform, he points out.

He stresses that France, like other GATT partners, wants to bring the stalled talks to a conclusion by the end of the year.

He regrets that the European

Commission is "only defending half-heartedly" the EC's com-

promise proposals on agricul-

tural reform, made last November, and that there has been no concession in response from Washington. "It would be extremely regrettable if the US became the only granary of our planet," he adds. Since the EC is the world's largest importer of food, agricultural protectionism are out of place.

On industrial trade, Mr Strauss-Kahn promises a firm response to US legal challenges to state subsidies for the European Airbus consortium.

"It is up to us strongly to defend Europe's right to develop its aeronautics industry. Whatever the outcome of the procedures under way, we will not give up."



Strauss-Kahn: options are "unbalanced" for Europe

## S Korea N-power contract for US

By William Dullforce

In Geneva

ABB Combustion Engineering, US subsidiary of Europe's biggest electrical engineering group, has won a contract worth more than \$200m (£121m) from the Korea Electric Power Company to build two nuclear power plants.

The new plants, each of which will generate 1,000 MW, will be built at Ulchin in South Korea and are due to come into commercial operation in 1993 and 1995.

## A protectionist virus in Brazil's computer plans

Christina Lamb reports on some shortcomings of liberalisation

**W**HEN Brazilians want to say something is pretty crazy, they call it *louco* - a word that could have been invented for dealing with the country's laws on information technology.

Years of protectionism and a largely unsuccessful attempt to build an efficient, home-grown computer industry have created a nightmare for industrialists trying to run modern operations.

Most business people or journalists trying to enter the country with a foreign personal computer have felt a sinking feeling when watching a customs officer sniff out the offending item.

Brazil is one of the world's 10 largest economies yet, so rare is a portable computer there, that taking one out at an airport immediately attracts a small crowd.

This is largely because of the 1984 *Informática* law which set up a market reserve at home for Brazilian products and pre-

vented foreign producers could still be barred from big contracts and excluded from tax benefits

vented the import of electronic goods, ranging from fax machines to micro-computers.

Although computer sales by Brazilian industry have rocketed from the equivalent of \$1.6m (£1.05m) to \$7.4m since the reserve was created, Brazil's 160 computer models are outmoded and sell for three times the price of their foreign counterparts. Mr José Goldemberg, science minister, says maintaining this last bastion of protectionism means Brazil is now probably a generation behind in computer technology.

As of October 29 1992, all this should change. Last month, a bill to end the market reserve for Brazilian products from that date, and allow foreign companies to set up operations in Brazil, was passed by the lower house of Congress. (Senate approval is still pending.)

At first sight, it seemed that a war had been won against the nationalist tendencies in Congress, which had been supporting President Fernando Collor's free market plans. But Brazilian computer manufacturers were, surprisingly, ambivalent to the news that they would be forced to compete with international giants.

Questions were raised, analysts found that many provisions in the draft legislation may make little or no difference than initially seemed the case.

Mr Georges Fischer, a lawyer specialising in information technology, points out: "We're hardly going to see a flood of imports when import taxes on computers are still 140 per cent." As far as the entrance of foreign companies, Mr Gregorio Diaz, president of the US company Microsoft in Brazil, says: "Some they can set up - but can they operate?"

Mr Diaz claims that the new bill is such a jumble of regulations and stipulations that foreign companies could still be prohibited from production and excluded from benefits, such as tax exemptions, that national companies will

receive. They might also be barred from competing for government and state contracts - the industry's main source of income.

This view is echoed by Mr Roberto Campos, congressman and former planning minister, who is one of Brazil's leading advocates of liberalisation yet voted against the bill, which he described as an "outrageous intervention".

In his weekly newspaper column, he has pointed out that the new bill includes such bizarre provisions as the creation of employer-worker councils to approve the introduction of new technologies which, he says, could allow the workers of a foreign-owned company to veto the purchase of even an adding machine.

No one doubts that, if free and fair competition were introduced, many of Brazil's 160 computer manufacturers (and 1,673 related companies) would go under, particularly small ones. Also, the larger companies would be forced to find foreign partners for technology transfer.

Scopus, the company which pioneered Brazilian micro-computers, is trying to protect its future by setting up three joint ventures. Mr Cândido Leoneli, company president, says he welcomes the bill, in that it would end uncertainty. "The market is paralysed because people keep reading they can soon import, so they have been deferring purchases."

But Mr Leoneli complains: "The new law is not explicit enough in defending local companies, whether they are national, foreign or joint ventures. It is not viable for Brazil to become an importing country - we don't have the billions of dollars."

He denies that the reserve has hindered modernisation and insists that, in some areas, such as bank automation, Brazilian companies can compete with foreign manufacturers.

Many of Brazil's 160 computer manufacturers would go under if there were free competition

"It's absurd to say Brazilian industry is backward because of the reserve. It is backward because of the mentality of Brazilian businessmen."

However, Brazilians may still have to wait before modern information technology is readily available. With Brazil still a tiny market, despite having a 150m population, there is unlikely to be an influx of foreign companies. For them, it makes more sense simply to wait until import tariffs are lowered, as promised, and then export to Brazil.

National companies, too, have been given little incentive to become competitive by the October 1992 deadline, as the import of necessary inputs also remains prohibited until then, and investment is scarce because of the present recession.

In the meantime, the main beneficiary of the Brazilian market will be the suppliers who last year provided 57,000 of the 160,000 micro-computers sold in the country.

## BETTER PUBLIC SERVICES

START HERE.

PICK UP THE PHONE  
TO FIND OUT HOW.



CALL FREE ON 0800 100 101 (24 hours)

The Government is committed to improving public services. That's why we are launching The Citizen's Charter.

The Citizen's Charter will provide a new standard for public services. It will cover our hospitals, schools, roads and railways and other vital services which affect us all.

To find out more, send off for your copy of the Guide to The Citizen's Charter today. Call free on 0800 100 101 or clip the freepost coupon.



For your free copy of the 'Guide to the Citizen's Charter', post to: Citizen's Charter, Freepost, Bristol BS3 3YY. Or telephone free on 0800 100 101 (24 hours).

Name: Mr/Mrs/Miss/Ms (BLOCK CAPITALS)

Address:

Postcode: \_\_\_\_\_

PTJ

## INTERNATIONAL NEWS

## Kurds and Iraq army in tense test of strength

By Lambi Andoni in Sulaimaniya

IRAQ'S northern city of Sulaimaniya, which witnessed a fierce uprising in fighting last week, has become a test of strength between the regular army of President Saddam Hussein and Kurdish militias who drove his forces back to the outskirts.

The Iraqi army continues to surround the city and is on full alert as negotiations to continue between Kurdish opposition leaders and the government in Baghdad.

Although the situation remains tense and travel is prohibited at night between Kirkuk and Sulaimaniya, the government and Kurdish militias appeared concerned not to allow the clashes to develop into full confrontation or to disrupt two-month-old negotiations on Kurdish autonomy.

The government and the Kurdish Democratic party are said to fear that a deterioration in the situation could be used by US-led allied forces as justification for renewed military intervention in Iraq.

The Kurdish militias, mainly belonging to the Kurdish Democratic party of Mr Massoud Barzani, are hoping their strong presence on the ground will provide for a more powerful hand in negotiations with the Iraqi government.

The militias in Sulaimaniya have not tried to take over government institutions even though they practically control

PRINCE Sadruddin Aga Khan yesterday briefed the UN Security Council sanctions committee on Iraq's need for food and medicine and again said Iraq should be allowed to sell some oil to pay for necessities, AP reports from New York.

Diplomats said Prince Sadruddin, the top UN official for humanitarian aid in the Gulf, reviewed the findings of a 68-page report released last week in Geneva.

Official buildings and troops of the regular army could not escort reporters inside the city.

The governor of the city, appointed by Baghdad, received reporters in his office, which was guarded by the opposition's militias.

The government has accused Iranian-backed insurgents of provoking the fighting, which spread to other areas, including the city of Irbil. Militia leaders accused the army of trying to exploit the clashes to crack down on the Kurdish party's political and military presence.

The militias claimed they had captured about 8,000 Iraqi soldiers and were holding them in mountain villages, including Halabja. Inhabitants accused the army of shelling the city with phosphorous bombs but there were no signs of such shelling.

His reaction when first con-

## Buthelezi's scorn fails to dilute scandal

Patti Waldmeir reports on difficult times for South Africa's prime political spoiler



Shared platform Buthelezi and the law and order minister, Mr Adriaan Vlok, at an Inkatha rally

fronted with evidence that security police had channelled R250,000 to Inkatha to fund rallies was to dismiss it as "bullshit". When asked by journalists whether further sums had been received, he replied dismally: "your guess is as good as mine".

The damage to Inkatha's image and to the credibility of Chief Buthelezi, long

favoured by western governments because of his support for free market economics and opposition to sanctions – is severe. The published police memo which provoked the scandal demonstrates a close link between Chief Buthelezi and Pretoria's security police.

It would require a large leap of faith – one which few are now prepared to make – to believe that senior Inkatha figures were personally involved in violence.

Chief Buthelezi, deputy minister in the KwaZulu government and thus a subordinate of Chief Buthelezi, was recently sentenced to life imprisonment for murder.

Perversely, the recent violence in townships near Johannesburg appears actually to have bolstered Inkatha support; the uneducated Zulus of township hostels have looked to Inkatha to protect them.

But overall, according to a recent survey conducted by the University of the Witwatersrand's Centre for Policy Studies, only 5 per cent of urban blacks support Inkatha.

That figure would almost certainly be higher in Inkatha's home base of Natal province. But the figures must cast doubt on Inkatha's claim to negotiate as an equal partner with the ANC and the government. Chief Buthelezi's support is, and has always been, regional.

The ANC believes the Johannesburg violence of the past year reflects an attempt to command a national base for Inkatha; so far, if the latest poll figures are to be believed, it has only limited success.

Polling totals may not accurately reveal Chief Buthelezi's true power over the negotiating process: conventional wisdom has it that the Inkatha leader could bring talks to a halt at any time. But his ability to act as a spoiler must depend ultimately on the degree of support he enjoys from the security forces; and the current scandal could well result in that link being significantly weakened, if not broken altogether.

## Chinese growth tops 6% despite flood chaos

CHINA'S economy grew at a healthy 6.1 per cent in the first half of 1991 despite devastating floods and industries saddled with debt, but a senior official gave warning yesterday that serious problems still threatened the economy. Reuter reports from Beijing.

In the first half of last year, GNP registered only 2.1 per cent growth over the first half of 1990. The good news came despite floods in the eastern part of the country which began in May and have turned fields into lakes, killing more than 1,700 people and causing more than \$7.5bn (£4.6bn) in economic damage.

Serious problems that have plagued the economy for months still remain. Zhang Zhongli, the spokesman for the state statistical bureau, pointed to inflation and debt-ridden, inefficient state-run industries that churn out unwanted, low-quality goods like refrigerators, televisions and motorcycles. Stockpiles of unwanted, unbroken products grew by about 64m in the first five months of the year.

Urban inflation is also rising again, a worry to Beijing's leaders who remember the pro-democracy unrest of two years ago which was set off in part by runaway prices in the cities. The cost of living in June in cities was 10.9 per cent higher than June 1990 as higher prices for services, rice, flour and cooking oil took their toll on residents. Zhang said, even though in the country as a whole, retail sales inflation grew only 1.8 per cent.

Beijing and Hanoi to resume talks

China and Vietnam are arranging a special meeting to discuss the Cambodian conflict and other issues that have strained their relations, a Foreign Ministry spokesman said yesterday. Reuter reports from Hanoi.

"In order to promote further the improvements of relations between the two countries and to carry out exchanges of views on problems of mutual concern, including the Cambodian issue, Vietnam and China are making arrangements for meeting in the coming period," a ministry spokesman said. Beijing has reportedly asked Vietnam to send a member of its politburo and a deputy foreign minister to China.

**Crisis deepening in Madagascar**

Madagascar's opposition headed for a showdown with security forces yesterday as its leaders tried to reach ministers sealed off by armed guards. Reuter reports from Antananarivo.

Army and police officers armed with rifles, batons and shields, closed government buildings and stopped traffic around government offices after the opposition told a mass rally it would attempt to install two of its own "ministers" by force. Protesters filled closed roads and shopkeepers closed their doors as tension in the capital mounted.

**Manila setback on Marcos 'loot'**

Zurich's district attorney said yesterday he has suspended judicial assistance to the Philippines concerning funds allegedly looted by former President Ferdinand Marcos and his family. AP reports from Zurich.

Mr Peter Coesay said Zurich would provide no more legal aid until Manila gave a proper explanation about the activists of a government agent accused of trying to tap into Swiss bank computers.

**Burma 'a hell for human rights'**

An influential US senator has called Burma "a hell for human rights" and said President George Bush's administration intended to impose economic sanctions on the Asian nation. Reuter writes from Washington.

Sanctions "should come as a powerful warning that foreign investors who seek quick profits in Burma through exports to the US market should think again," said Senator Daniel Patrick Moynihan, a member of the Senate foreign relations committee.

**W Australia oil disaster averted**

An ecological disaster along Australia's western coast is likely to be avoided after the country's worst oil slick began drifting out to sea, authorities said yesterday. Reuter reports from Sydney. The Greek oil tanker Kirkis, which poured 12,000 tonnes into the ocean and created a 25km slick after it broke up, was being towed to smoother waters where its remaining 68,000 tonnes of oil could be transferred.

## Delhi row on industry policy

By K.K. Sharma in New Delhi

INDIA'S new industrial policy aiming at sweeping deregulation to facilitate foreign and internal investment has been delayed by sharp cabinet differences.

The policy, which was to have been announced last week, is expected to be presented to parliament tomorrow, just before the government's annual budget, or the next day.

The principal cabinet differences are believed to be over the upper limit of assets of large Indian industrial houses and the right to close down "sick" industries.

Critics believe the closure of thousands of "sick" units, including some in the public sector, would lead to massive unemployment and cause labour unrest at a time when the economy is already under severe strain.

At present, unprofitable units are being assisted by public financial institutions. Proponents of deregulation feel the right to "exit" should be part of the industrial policy.

The cabinet has also discussed in detail whether to raise the upper limit of assets of companies now governed by the Monopolies and Restrictive Trade Practices (MRTP) Act.

At present this is a low Rs1bn (\$23.8m). The new policy has proposed it be raised to Rs10bn but there is considerable resistance.

So-called monopoly houses are banned from starting new industries without government permission which, at present, is not given unless the investment is in high-tech areas or aimed at increasing exports. There is pressure to relax this curbs. There is no real opposition to relaxing curbs on foreign investment.

## Trading partners at odds with Asean over regional security

The US secretary of state has made it difficult for Prime Minister Shamir to say no, writes Hugh Carnegie

EAST ASIAN countries and their main trading partners took opposing stands yesterday over the future of US and Japanese military involvement in a post-Cold War security arrangement for the region, writes Lim Siong Hoon in Kuala Lumpur.

The issue has moved up the agenda during meetings in Kuala Lumpur of members of the Association of Southeast Asian Nations (Asean) and its "dialogue" partners – Australia, Canada, the EC, Japan, New Zealand, South Korea and the US.

Trade and regional politics have usually pre-occupied Asean ministers in pre-decided ASEAN ministerial meetings, which are followed by separate sessions with the dialogue partners.

Asean has been refusing to subscribe to any regional security alliance, maintaining that such an arrangement could compromise its neutrality in dealings with the US

and Soviet Union. But this situation has changed rapidly, particularly after a US decision to cut its Pacific military forces by at least 10 per cent by December 1992, and since the Gulf war, which the US sees as providing potential "lessons" for the Far East.

In March, US military and Defence Department officials advocated the security doctrine of "co-operative vigilance", which calls for a network of military-to-military relationships with Pacific Asian countries. The officials see the US as the network's chief organisator.

Both Australia and Japan emerged yesterday as the chief backers of the idea.

However, the US doctrine threatens to draw into the network Asean members – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

At the weekend meeting of its foreign ministers, Asean adopted a

low-key, non-committal position on the issue of security.

Yesterday, however, Malaysia openly challenged the "phased transformation" of a defence arrangement.

Mr Abdullah Ahmad Badawi, foreign minister, said: "The creation of a military bloc would invite establishment of a counter-bloc. Focusing only on the narrow military aspects of security would distort national perceptions on relations between nations."

## Baker makes Israel offer it may be loath to refuse

The US secretary of state has made it difficult for Prime Minister Shamir to say no, writes Hugh Carnegie

**I**N FOUR previous visits to Israel since the end of the Gulf war, Mr James Baker, the US secretary of state, got little change out of Mr Yitzhak Shamir, the prime minister, because he could not provide any real evidence to answer the key Israeli question: "Do the Arabs really want to make peace with us?"

On Sunday, things were different. Mr Baker arrived for his fifth visit armed with the solid, public backing for his peace proposals of all the main Arab players including, most importantly, Syria. This has put Mr Shamir and his government on the spot for one critical reason.

Israel has always insisted that any peace negotiations with its Arab neighbours must be face-to-face bilateral negotiations. As happened in the negotiation of the 1979 peace accords with Egypt, the presence of the US is acceptable to Israel as a catalyst, but the essence must be a government-to-government forum.

Israel has always rejected any form of international peace conference as being bound to be weighed against it – especially one under the auspices of the UN which it regards as inherently anti-Israel.

The Arabs would not negotiate seriously if they had recourse to a sympathetic conference.

Mr Baker says the terms of reference for the negotiations will be UN resolutions 242 and 338 which are regarded by almost every party except Israel as enshrining "land for peace". But he also says that it

is recognised that there are different interpretations of 242 and 338 – thus diverting Israeli objections on that issue.

If, as many on the opposition side in Israel believe, Mr Shamir was never enthusiastic about negotiations on any terms, the Arab acceptance of the US proposals has at least made it much more difficult for him to say "no".

Thus, by winning the acceptance of the Arabs for his plan, Mr Baker was able to say to Mr Shamir that they had accepted Israel's fundamental demand for a direct, bilateral negotiations.

Mr Baker has not yet said "yes".

Mr Baker appears optimistic that any UN presence, and to keep open the possibility that the full conference may reconvene at some point, can be bypassed.

Much more difficult is the issue of Palestinian representation.

Again, the post-Gulf war isolation of the Palestine Liberation Organisation has meant Israel's objections to any PLO presence will be overcome by drawing Palestinian representatives from within the West Bank and Gaza who

do not carry an overt PLO label. But Mr Shamir will not give way on his rejection of any Palestinian delegate from Jerusalem.

To do so, he says, would be to compromise Israel's absolute claim to sovereignty over all of Jerusalem.

This is the issue which Mr Baker's efforts to broker peace talks more than a year ago foundered upon.

Again, the Palestinians are insisting that Jerusalem must be represented on their side, to assert their claim to at least a share of the Holy City.

Even if Mr Shamir does say "yes" to a conference, he is hardly placed politically to short-circuit the process if he feels it is not going his way. Already, extreme right-wing parties in his coalition are mattering about bringing down the government.

That would not necessarily be to Mr Shamir's disadvantage.

He could soldier on, given opposition support for the peace process.

Or, more likely, he would seek an early general election.

That would delay the whole peace process for at least three months – the statutory election period in Israel – and more likely result in a strengthening of his Likud party, judging by the opinion polls.

## Once-invincible Nomura wrestles with crisis of confidence

By dismissing its chairman, the Japanese stockbroking group hopes to curtail criticism, writes Stefan Wagstyl

**N**OMURA Securities, the world's largest stockbroking company, is in bigger trouble than it ever expected when a series of Japanese stock market scandals first broke this year.

A month ago, the company hoped to blunt criticism by offering the head of Mr Yoshihisa Tabuchi, company president, who resigned and took responsibility for the company's misdemeanours, in the time-honoured Japanese way.

But politicians, commentators and Finance Ministry officials demanded more. So, yesterday, Mr Setsuya Tabuchi (no relation), the chairman, announced his resignation. For good measure, Mr Yoshihisa Tabuchi was forced to quit the honorary job of vice-chairman, which had been hurriedly created for him after his resignation.

Nomura officials believe the two men had to go if the company were to recover public confidence, following revelations that it had compensated favoured clients for losses and had dealings with gangsters.

Any possibility that Mr Setsuya Tabuchi might have

remained in office evaporated after publicity given to his links with a lawyer recently arrested for his role in a stock cornering scandal.

Nomura's top managers are exhausted by trying to contain damage done to the company's credibility, both with the ministry and the public. They are working seven days a week, often arguing about the best way to proceed.

Few things illustrate the scale of the group's task more than the fact that this proud company has had to go outside its own ranks to find a successor to Mr Setsuya Tabuchi. Mr Yukio Aida, 57, is an adviser to a fund management affiliate of Nomura. Although he is a former executive vice-president of the parent company, he left eight years ago. Mr Aida will be an honorary chairman, with no executive power, but will be entrusted with the vital task of rebuilding the company's image.

He will be particularly useful abroad as he spent much of his early career overseas and speaks English. A former Nomura employee said: "Mr Aida is not a typical hard-

businessman, fought hard to establish himself and, in 1987, pushed through sweeping management changes in which young men were promoted at the expense of executives beholden to Mr Setsuya Tabuchi.

He concentrated latterly on climbing to the highest reaches of the Japanese business elite. To the chagrin of conservatives, who resented a *newcomer* stock salesman in their midst, he was advanced at the Keidanren, the national employers' federation. Last year, he became the first securities industry official to reach the vice-chairmanship, which he now had to resign.

However, just as the two Tabuchs contributed greatly to Nomura's triumph, so they now bear a direct responsibility for its current debacle.

They bred a culture of relentless pursuit of sales which turned Nomura into the world's most profitable securities company. But this led staff to deal in ways which broke the industry's moral code of conduct, as has now been revealed. Investors, who were

prepared to tolerate indiscretions from brokers in the bull market of the 1980s, are far more critical in the bear market of today.</p



## UK NEWS



## Wharf developers lobby Major

By Philip Stephens, Political Editor

THE developers of Canary Wharf have appealed directly to Mr John Major for government help to ensure the success of the recession-hit office complex in London's Docklands.

The approach to the prime minister from Olympia & York has prompted Mr Michael Heseltine, the environment secretary, to propose that thousands of civil servants should be transferred from central London to offices in the 24hr development.

But Whitehall officials expect the plan to run into opposition from the Treasury because of the high cost of space. Comparisons suggest that – even after generous discounts – the government would have to pay about a third more per square foot in Canary Wharf than for offices much closer to Whitehall.

The officials believe that the Treasury will oppose also a request from the Toronto-based Reichmann brothers, the owners of O & Y, for a larger and accelerated government commitment to improved transport links.

The officials said the Reichmanns told Mr Major at a meeting last month the prob-

lems facing Canary Wharf as a result of the slump in the property market and the inadequacy of existing rail and road transport to central London.

O & Y keeps the financial details of the Canary Wharf project confidential, but its recent contacts with the government have confirmed reports that both its occupancy rate and rentals have so far fallen well short of initial targets.

Yesterday it declined to comment on its contacts with the government.

The recession has significantly eroded the competitive advantage of Canary Wharf over developments in the City.

While prospective tenants have also been put off by the inadequacy of the Docklands Light Railway and by poor road links.

The developers' Downing Street meeting with Mr Major was followed by separate talks with Mr Heseltine and Mr Michael Portillo, the minister of state at the environment department.

Mr Heseltine, who as environment secretary in the early 1980s was instrumental in the creation of the Docklands Development Corporation, is understood to be keen to demonstrate the government's commitment to the complex.

He has suggested that a move by DOE civil servants from their crumbling Marsham Street headquarters could be followed by the transfer of other Whitehall civil servants to docklands.

He also wants an acceleration of work on London Regional Transport's proposed extension of the Jubilee Under-

ground Line to Canary Wharf.

It is understood that the government would pay just over £20 per square foot for space in the Docklands complex. Initial surveys by officials have shown that comparable space much closer to Whitehall on the south bank of the Thames could be secured for a rent of the £15 or less.

Mr Heseltine will find it difficult therefore to argue that there is any commercial justification for a move to Docklands, particularly as the dispersal of civil servants to locations outside London is continuing to free other space in Whitehall.

The officials said, however, that the environment secretary might yet succeed if he can persuade the prime minister of the need for the government to demonstrate its confidence in the long-term future of docklands complex.

### Heartlands plead for investment

MASSIVE investment is urgently needed to prevent Britain becoming an off-shore island on the periphery of Europe, a transport pressure group warned yesterday.

The Midlands, traditionally at the heart of industrial Britain, is threatened by its lack of road and rail capacity, claimed the Midland Tunnel Link Group, a joint initiative of trade unions and industry campaigning for links to the Channel tunnel.

In Birmingham, Mr Sid Plett, chairman of the West Midlands TUC, accused the government of being guilty of lack of investment and vision. Priorities for the region include the early construction of the northern and western orbital routes around Birmingham, and a building a road-rail freight interchange.

## French to join UK venture in rail freight

By Richard Tomkins, Transport Correspondent

BRITISH RAIL is about to form a joint venture with French national railways and some of Britain's biggest private road hauliers to offer combined road/rail freight services to and from the Continent.

Mr Malcolm Rifkind, the transport secretary, said he wished to encourage the venture because it reflected his determination to see a big expansion of private sector involvement in rail operations.

The plans for the joint venture were unveiled by Mr Rifkind and BR yesterday as they met 100 representatives of the UK freight industry to discuss how more freight could be switched from road to rail.

The company, called Combined Transport Limited, will be 15 per cent owned by BR and SNCF.

The remaining 85 per cent will be split between two Continental combined transport operators – Novatrans of France and Kombi Verkehr of Germany – together with the Road Haulage Association and 18 of Britain's biggest haulage companies.

It will market combined transport services in which a container starts and finishes its journey on a lorry but travels the long distance part of its journey on a rail wagon – a growth sector of the freight market on the Continent.

Combined transport has so far made little impact in Britain because most freight journeys are too short to make the transfer to rail worthwhile. But BR and Mr Rifkind believe the economics of Continental freight journeys will shift in favour of rail with the opening of the Channel tunnel in 1993.

Mr Rifkind and Mr John Walsh, BR's chief executive, yesterday used the same conference to unveil details of planned freight services to the Continent which would sharply cut existing rail timetables. The Glasgow to Paris journey time of 116 hours would fall to 28 hours, said Mr Rifkind. Similarly, Manchester to Dijon would fall from 114 hours to 26 hours.

## TRADE FIGURES

### Turnaround in car industry bolsters return to surplus

By Peter Norman, Economics Correspondent

THE OFFICIALS at the Central Statistical Office were adamant last month's trade figures showing the UK's first current account surplus since February 1987 could not be ascribed to freakish conditions.

Instead, Britain's return to the black seems to be a story of industrial success with increased exports of cars, chemicals and capital goods helping to produce the nation's first surplus in manufacturing trade since February 1984.

Although good, the June figures should not be a cause for euphoria, however. The current account surplus – a provisionally estimated £22m after adjustment for seasonal factors – could easily be revised away in one of the many revisions to which trade figures are subjected.

It could also be argued that a traditionally exporting nation such as the UK should be recording huge trade surpluses in the light of the deep recession of the past year. But Britain's export trade as measured in volume terms and without oil and erratic items such as ships, aircraft and precious stones, has been on a steadily improving trend for the past five and a half years, according to official figures.

Combined transport has so far made little impact in Britain because most freight journeys are too short to make the transfer to rail worthwhile. But BR and Mr Rifkind believe the economics of Continental freight journeys will shift in favour of rail with the opening of the Channel tunnel in 1993.

Mr Rifkind and Mr John Walsh, BR's chief executive, yesterday used the same conference to unveil details of planned freight services to the Continent which would sharply cut existing rail timetables. The Glasgow to Paris journey time of 116 hours would fall to 28 hours, said Mr Rifkind. Similarly, Manchester to Dijon would fall from 114 hours to 26 hours.

The fears that British

exports would be rendered internationally uncompetitive by placing sterling in the exchange rate mechanism of the European Monetary System with a central rate of 2.95 D-Marks appear to be unfounded.

Instead, Britain recorded a surplus of £40m in trade with its European Community partners last month. In 1989, Britain's trade with the rest of the EC was a massive £16.27bn in the red.

A reversal of fortunes in the car industry explains much of this turnaround. Britain is now producing more cars for export than for the home market. UK exports of passenger cars rose by more than a fifth in volume between May and June this year. In volume terms, UK car exports are currently around 2.5 times higher than in 1985.

By contrast, car imports have languished below 1985 levels so far this year. In volume terms, they were some 29 per cent lower in the second quarter than in the second quarter of 1989. Measured in value, UK car exports now cover nearly 80 per cent of imports compared with just 34 per cent two years ago.

Second quarter figures show other export sectors performing well. Exports of chemicals were up 5 per cent in volume terms while capital goods exports were 7 per cent higher compared with the first quarter.

Can these trends continue?

#### CURRENT ACCOUNT (£bn)

|       | Current Balance | Visible Trade Balance |                            |         |         |                    |
|-------|-----------------|-----------------------|----------------------------|---------|---------|--------------------|
|       |                 | Total                 | Less oil and erratic items | Exports | Imports | Invisibles Balance |
| 1989  | -18.6           | -24.0                 | -27.0                      | 82.8    | 118.8   | +4.2               |
| 1990  | -13.8           | -17.8                 | -20.5                      | 102.7   | 120.7   | +4.1               |
| Qtr 2 | -5.1            | -5.3                  | -4.0                       | 25.9    | 31.2    | +0.2               |
| Qtr 3 | -1.8            | -3.7                  | -4.8                       | 25.8    | 29.3    | +1.5               |
| Qtr 4 | -1.8            | -3.0                  | -3.7                       | 25.8    | 28.9    | +1.4               |
| 1991  |                 |                       |                            |         |         |                    |
| Qtr 1 | -2.8            | -2.8                  | -3.4                       | 25.1    | 27.9    | +0.2               |
| Qtr 2 | -0.9            | -2.1                  | -2.7                       | 26.1    | 28.2    | +1.2               |
| Feb   | -0.8            | -0.7                  | -1.1                       | 8.3     | 9.0     | +0.1               |
| March | -0.8            | -0.8                  | -1.1                       | 8.5     | 9.3     | +0.1               |
| April | -0.4            | -0.8                  | -0.9                       | 8.5     | 9.3     | +0.4               |
| May   | -0.5            | -0.9                  | -1.1                       | 8.8     | 9.5     | +0.4               |
| Jun   | 0.0             | -0.4                  | -0.7                       | 9.0     | 9.4     | +0.4               |

Available for April to June 1991 are projections.

May figures are seasonally adjusted, and may not add up, due to rounding.

Source: CSO



A challenging opportunity in a new country. An exciting contract.

Exact time for the right advice. Otherwise, it could all go wrong. Don't take the risk.

As Turkey's leading full service merchant banking group, we are here for the right advice. On trade and project finance, factoring, insurance or the capital markets.

Our leasing company, İktisat Leasing did the first and only leveraged buy-out in Turkey for a foreign company. Wherever you have your business, in Turkey - or elsewhere in the world - we will meet your needs.

For further information, please contact either Arthur Wilkinson at our London Office or Roger Whitham at our Head Office. You'll find the addresses below:

London Representative Office: 65 London Wall, London EC2M 5TU, Tel: (71) 638 2820-2, Telex: 913359. İKTİSAT Fax: (71) 638 2823  
Head Office: Büyükdere Cad. 165 Esentepe/Istanbul, Tel: (1) 174 1111, Telex: 26021, Fax: (1) 174 7028

| US \$ (thousands)    | December 31, 1990 | 12 months ending Dec 31, 1990 |
|----------------------|-------------------|-------------------------------|
| Total Assets         | 567,219           | Net Interest Income 28,962    |
| Shareholders' Equity | 67,402            | Net Income 15,333             |
| Deposits             | 199,350           | Return on Assets 2.9%         |
| Losses, net          | 336,896           | Return on Equity 27.9%        |

**İKTİSAT BANKASI**  
TURKEY'S MERCHANT BANK

finds  
from cities

## Major's charter based on Thatcherite ideals

By Philip Stephens

CITIZENS and charter are not words that would ever have appealed to Mrs Margaret Thatcher. Both carry with them too strong a whiff of the nanny state to appeal for such an unashamed champion of the individual.

But beyond its title there was little if anything in the policy document published yesterday by her successor in Downing Street that Mrs Thatcher could quarrel with.

The vision of a more effective, efficient public sector set out by Mr John Major started with three quintessentially Thatcherite principles: more privatisation, more competition, more contracting out.

There were obvious nods in the direction of populism. Passengers stranded by British Rail will have the satisfaction of knowing the names of the guards they berate.

Ministers are convinced also that many of the seemingly small measures in the charter, the promise of annual school reports or the introduction of hospital appointment systems will catch the voters' eye.

But it is in its reliance on the market, the privatisation of British Rail and London Buses, the rapid extension of contracting out by local authorities, the whittling away of the Post Office monopoly that the Charter offers most prospect of immediate action.

Mr Major shares his prede-



Consumers, parents, consumers, taxpayers and patients; John Major aims to protect their rights under his charter

cessor's presumption that, where possible, the best way to improve the quality of public services is to transfer responsibility for their provision to the private sector.

His statement to the House of Commons was peppered with references to the need for greater competition, consumers and choice, favourite slogans of the 1980s.

Ministers acknowledge that in some respects the document is a repackaging of existing ideas.

They insist, however, that the continuity with the 1980s does not imply that there is nothing new for the 1990s. As Mr Major said the charter is a starting point for a fourth Conservative term rather than a complete blueprint.

There is an implicit assumption also - never quite there when Mrs Thatcher was in Downing Street - that even after the next wave of privatisation and contracting out large sectors of the economy

will remain in the public sector.

Mr Major's declared aim is to use the plethora of promised standards, targets, penalties and rewards outlined in the Charter to provoke a revolution in the culture of those services.

The same ministers acknowledge privately that the measures outlined yesterday are a relatively modest step. The Whitehall mill - and above all the Treasury - has ensured that

### SUMMARY

#### Labour law

CONSUMERS are to be given the right to bring legal action against unions to stop unlawful industrial action in the public services.

The new rights for consumers are likely to be fleshed out in a consultative document on employment law due to be published tomorrow.

#### Privatised utilities

PROPOSALS for increasing consumers' redress against privatised utilities centre on a promise to bring the formal powers of the industries regulators up to the level of the

strongest.

Regulators - such as Ofgas and OfTEL which cover the gas and telecommunications industries respectively - will all be given powers to ensure legitimate complaints result in the utilities paying out compensation.

#### Local government

AT the heart of the proposals on local government is legislation requiring councils to publish responses to Audit Commission reports, and to produce accessible information on standards of service and their costs.

#### Education

STRIPPED of the gloss about a forthcoming "parents' charter", the education section of the citizen's charter adds up to the "right to know" and a reform of school inspection arrangements. Most aspects of both had long been announced or heralded.

#### Health service

THE CHARTER'S proposals for the National Health Service build on this year's health reforms and give the government a chance to inject more "patient power" into them.

The charter's proposals encourage a change of attitude which is already developing in parts of NHS - the notion that patients must be seen as customers with rights rather than supplicants who should be grateful for their treatment however long they have to wait

#### Public transport

THE SECTION on public transport reflects the government's difficulty in attempting to give passengers a better deal from nationalised organisations such as British Rail and London Transport.

Since neither organisation makes any profit from which compensation can be paid, any penalties imposed for poor service can only be retrieved by raising fares, raising fares, or postponing investment.

BR gets off lightly as a result. Privatisation, the charter says, is the key to better service.

Privatisation plans will be published in a white paper, or government policy document, later this year, incorporating the end of British Rail's monopoly and the appointment of an independent regulator to ensure fair access to the network.

#### Postal system

THE LOWERING of the £1 limit on the Post Office's monopoly on letters will allow private enterprise to challenge the Post Office in first-class letter deliveries - one of its biggest areas of business within the UK.

#### Scotland

Mr Ian Lang, Scottish secretary, said four specific Scottish charters relating to health, education, housing and justice would be introduced.

## BRITAIN IN BRIEF

### Disaster code proposal

A ten-point code of practice to help to prevent disasters has been proposed by the Engineering Council, the organisation for professional engineers and technicians. The code is intended to stimulate a wider debate on risk assessment and management.

Sir William Francis, chairman of the Engineering Council's working party on engineers and risk issues, said inquiries into recent disasters had identified root causes such as poor communication, inadequate management and shortfalls in safety cultures.

### Disclosure on managers' pay

Companies should be required to disclose more details of how their directors are paid, the Chartered Institute of Management Accountants has said. There is no evidence that top managers are manipulating their accounts to boost performance-related pay, it said. But the potential exists for them to do so.

### Group fails to buy centre

Porton International, the London-based biotechnology company, has failed to persuade the government that it should be allowed to buy the Centre for Applied Microbiology and Research at Porton Down, Wiltshire, from the Department of Health. But the agreements giving Porton International extensive rights to the research centre's technology, signed in 1985, are to remain.

### Nalgo delegates accept decision

More than 1,000 delegates of Nalgo, the public service union, voted to accept their leadership's recommendation to ballot clerical members in local government on a series of strikes over pay.

The decision to organise the vote on the 6.4 per cent pay offer follows a tentative settlement last week between leaders of 900,000 blue collar workers and employers on a similar offer.

### New chief for Toyota (GB)

Mr Simon Foster, director of the Society of Motor Manufacturers and Traders for the past 3½ years, is to leave at the end of the year to become chief executive of Toyota (GB), the Inchcape Group subsidiary which distributes the Japanese cars in the UK. He will succeed Mr Alan Marsh, who is joining Inchcape's main Board to take up overall responsibility for Inchcape's various Toyota distribution businesses worldwide.

### Power station agreement

European Celanese Manufacturers has agreed with IVO Energy, the Finnish generating company, to build a 1,100 Megawatt gas-fired power station at its Humberstone site. The company said the plant will provide power for its planned straw pulp mill on the same site. The pulp mill and power plant will require total investment of £1bn.

### US may veto sale of jets to Iran

The US government may veto a \$90m package to supply Iran with four British Aerospace commercial jets. The company says the US state department is unlikely to give the deal the go-ahead.

The wings, avionics and engines for the four BAe 146 jets are manufactured in the US, making the deal subject to US approval. The state department is reported to be concerned about Iran's continuing support of terrorism. A formal decision has not yet been made. BAe said the veto, if confirmed, would be unprecedented.

### Rail crash inquiry ordered

The government has ordered an independent public inquiry into the head-on train crash near Glasgow which killed four and injured 22 late on Sunday night.

It was the first crash in which passengers were killed since a commuter train ran into the buffers at London's Cannon Street station in January, killing two and injuring more than 500.

### Strike for shorter week

Manual workers at the south England sites of De La Rue, the security printer and payment machine maker, have launched an indefinite strike for shorter hours. It is believed they are the first group to stage a working time stoppage among UK blue collar workers already on less than 27 hours.

### Census finds shift from cities

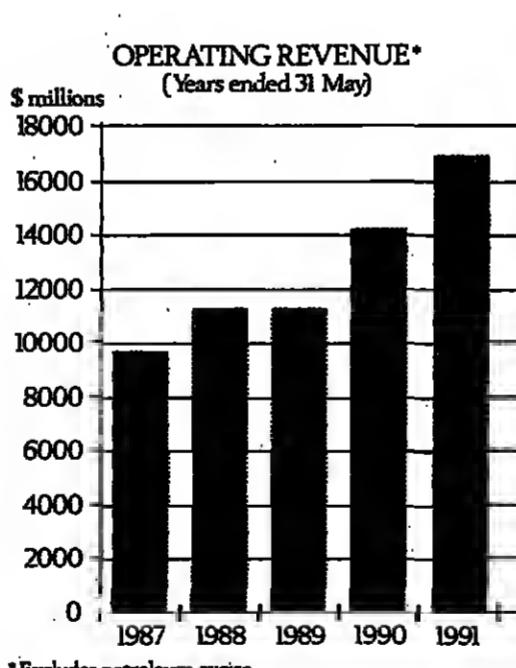
A shift in population away from Britain's urban areas is confirmed in the first results of April's census. Across England and Wales remote rural districts, new towns and resort and retirement districts experienced the greatest increases in population. Districts with the most significant reductions were the principal cities of metropolitan districts, like Liverpool and inner London boroughs.

### Welsh industry in downturn

Only 17 per cent of Welsh manufacturing industry is operating at full capacity as the recession bears down upon the principality, and unemployment is also expected to rise. A report by the Cardiff Chamber of Commerce, covering the Federation of Welsh Chambers, shows that few companies in the sector are planning to invest in either new machinery or buildings.

## BHP 1991 ANNUAL RESULTS

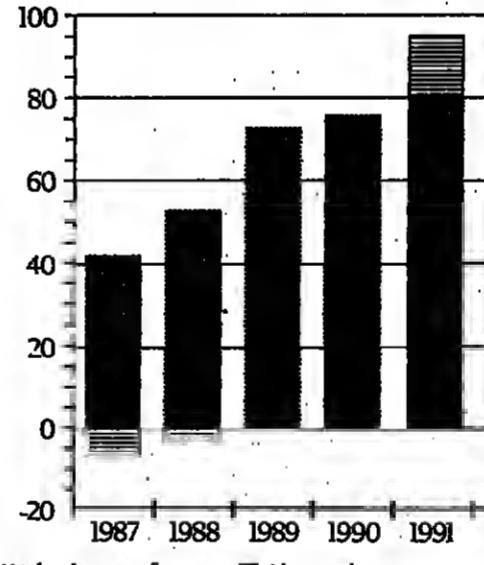
# BHP's earnings growth continues from internationally competitive operations



Operating revenue increased 20% to \$16.9 billion as a result of improved prices and volumes for Petroleum and Mineral products. Reduced sales revenue from the Steel Group partly offset these increases.

The Company continued major investments in its three core businesses with capital and investment expenditure exceeding \$2.3 billion.

### EARNINGS PER SHARE\* (Years ended 31 May)

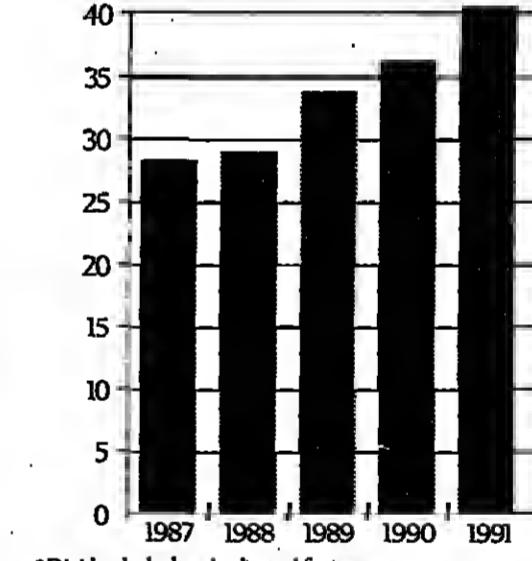


In 1991 BHP achieved a record profit of \$1423 million, a 29% increase on last year's \$1103 million result. Net abnormal items added \$222 million to profit.

Earnings per share, at 95¢, were 25% up on last year. Abnormal items contributed 15¢. Dividends increased by 11% to 405¢ for the year.

**MINERALS.** Minerals achieved a record result of \$830 million including an abnormal item of \$219 million from the merger of BHP Gold and Newmont Australia. Improved performances from Australian Iron Ore, the commencement of shipments from the Escondida copper mine in Chile and higher prices for manganese ore all contributed.

### DIVIDENDS PER SHARE\* (Years ended 31 May)



**PETROLEUM.** Positive factors included higher crude oil prices, strong production volumes and changes in Australian taxation. A record operating profit of \$650 million was achieved after a 38% increase in exploration expenditure.

**STEEL.** The recession in Australia had an adverse effect on the Steel Group's results which fell 53% to \$262 million. Despatches to the Australian market were at the lowest level since 1983. Sales to other markets accounted for 36% of total steel despatches.

**FINANCIAL.** BHP's gearing ratio improved to 42% from 47% a year earlier and interest expense was covered 3.3 times. Net interest expense was \$220 million lower than last year due to a reduced average debt level and lower interest rates. BHP\* is listed on international stock exchanges in Australia, Germany, Japan, New Zealand, Switzerland, United Kingdom and United States of America.



Australia's International Resources Enterprise

\*All figures in \$A

\*For more information or to obtain a copy of the Annual Report contact: United Kingdom: GV Kivac Corporate Manager London, 3rd Floor 90 Long Acre, London WC2E 9RA, Telephone (071) 334 0803, Facsimile (071) 379 4434.

## TECHNOLOGY

# Service to sing about

Della Bradshaw explains how digital broadcasts are being sent down the French phone network

When Montpellier's soccer team played Manchester United in the European cup quarter finals in March, the final score left most Frenchmen gloomy. But for Joe Marien, marketing director of French communications company Xis, there was at least one thing to smile about.

Sitting in the offices of Piccadilly Gold radio, in Manchester, Marien heard the transmission of a live report of the match from Montpellier over a standard phone line. Marien believes it was the first time a 15 KHz radio transmission, giving FM quality sound, had been sent over the dial-up phone network.

The Xis equipment used to achieve this transmission, called Wim, enables radio stations to reduce the costs of their outside broadcasts. Instead of using dedicated phone lines, which have to be paid for whether or not a report is being broadcast, Wim means broadcasters need only pay for the call time they use.

What companies do require, however, is a special type of phone line - known as the integrated services digital network (ISDN) - which enables the digital transmission of voice or data in chunks of 64 kilobits a second. This is enough to transmit about 1,800 words of text every second.

While phone companies

throughout Europe, the US and Japan have been talking about ISDN for the past decade and been experimenting with pilot services for several years, France Telecom has put its money where its mouth is. It opened ISDN services in Paris and Brittany in 1987 and by last year was providing a service, called Numeris, to any business in France which must also be financially viable.

Xis's speciality is developing advanced voice applications for Numeris. Its most popular has been the audiocatalogue for music retailers, which Xis developed with the French National Centre of Telecommunications Studies, the research arm of France Telecom.

Already installed in 11 record stores belonging to FNAC, the French music retail chain, audiocatalogue allows customers to go into the store and listen to a selection of music before making a pur-

chase. Using a PC with a touch-sensitive screen and a headset, customers scroll through menus which ask what type of music and what album they prefer.

This information is fed over a local area computer network to a database from where the music is sent, together with an image of the jacket cover which appears on the screen.

Each local database is updated by FNAC on a weekly basis - some weeks need as many as 50 titles to be added - over an ISDN line. Because ISDN is digital, the sound



reproduction in the 1980s' version of the listening booth is high quality, unlike the poor-quality sound usually heard when music is sent over the phone line. FNAC is planning to expand the service to include some 30 stores.

Marien admits that audio applications will only constitute a small part of the market for ISDN applications. But, as he points out, for Xis, set up in Montpellier in 1984, "it's a very big market".

Other services already being used on the Numeris network transfer medical images or dia-

grams from repair manuals from one site to another over the phone line. Another enables would-be holiday makers to use touch screens to select information on different resorts. Pictures and text of the location are transmitted from a central database to the local travel agency.

Faster facsimile services - some eight times faster than today's analogue services - are also possible now, while Berezat believes that high-quality moving images for videoconferencing will be available in about two years.

France Telecom's policy appears to be paying off. By the end of last year 30,000 basic ISDN access lines - each with two 64 Kbit/s lines and a signalling channel - had been rented, at a cost FF 300 (S30) a month, compared with FF 80 for the monthly rental of an ordinary business phone line. France Telecom offers a basic service of two 64 Kbit/s lines or a premium service which transmits 2 Mbit/s of data.

Call charges are fractionally above those for calls on conventional analogue lines. A one-minute call from France to the UK, for example, would be FF 4.92 using Numeris, compared with FF 3.79 on a traditional line. An ISDN service between France and Germany was opened in 1990, and between the UK and France earlier this year.

Marien admits that audio applications will only constitute a small part of the market for ISDN applications. But, as he points out, for Xis, set up in Montpellier in 1984, "it's a very big market".

Other services already being used on the Numeris network transfer medical images or dia-

## Highlands' call of the wild

Islay in Scotland is discovering ISDN, writes James Buxton

A former antique shop in Bowmore, the village which is the capital of the island of Islay in Scotland's Inner Hebrides, has become a stepping stone on the road to exploiting advances in telecommunications in Scotland.

It has been made into a telecottage, an idea which originated in Sweden to help people in rural areas discover information technology and telecommunications. Crammed into its two rooms are four personal computers, a fax machine, printers, a photocopier and some modems.

At first glance it does not seem very different from a photocopying shop. It offers photocopying, word-processing and fax services to the local inhabitants (there are 4,000 people on Islay) at a commercial rate. But the main role of its staff (one full-time and several volunteers) is to introduce people to personal computers and to provide training in using them.

Familiarisation courses are free but Islay Teleservices, as it is called, charges for training courses. Highlands and Islands Enterprise (HIE), the development body for the area, expects it to become self-financing in a few years.

The aim of the telecottage on Islay, one of four being set up in different

parts of the Highlands and Islands, is to exploit the new possibilities opening up to people in remote areas as advanced as anywhere in Britain. It is making a grant of £25m to the £15m cost of installing new digital exchanges at 64 towns and in upgrading existing.

By next year people in the main population centres of the Highlands and Islands should have greatly improved telephone lines, and should be able to obtain ISDN.

ISDN stands for integrated services digital network, offering a set of services such as very high speed data transmission and faxing and even video-conferencing. ISDN is reaching the Highlands at about the same time as London, Manchester and Edinburgh, but ahead of most other British cities, and probably a decade earlier than BT could justify on commercial grounds.

Digitisation will not reach Islay until next year and whether the islanders, who mostly live off farming, fishing and tourism, will be ready to make the most of it, let

Digitisation will not reach Islay until next year and whether the islanders, who mostly live off farming, fishing and tourism, will be ready to make the most of it, let

HIE, says that the aims of the telecommunications initiative include the defensive one of keeping businesses in the Highlands up to date, as well as encouraging the creation of operations based on teleworkers such as Crossig. Ultimately it is hoped to persuade businesses to relocate to the north and west of Scotland so as to escape crowded urban areas, though it is accepted that good telecommunications are only one of many factors in a company's decision to relocate.

Relatively few people in Britain, let alone the Highlands of Scotland, have heard of ISDN and fewer still understand what it means. The joke is that it stands for: "I still don't know." This is partly because it has only come into operation in Britain in the past few months and until BT took the plunge little equipment for use on ISDN lines had been approved or marketed by the manufacturers.

Now, says Colin Pavey of BT, "new ISDN equipment is getting approval every week. The bit in the middle is the customer. What we're doing in the Highlands and Islands is improving basic services, and giving people access to packet switching for the price of a local call throughout the Highlands. ISDN is at the top of the range and will be a specialised market for a long time".

Sir Robert Cowan, chairman of

HIE, says that the aims of the telecommunications initiative include the defensive one of keeping businesses in the Highlands up to date, as well as encouraging the creation of operations based on teleworkers such as Crossig. Ultimately it is hoped to persuade businesses to relocate to the north and west of Scotland so as to escape crowded urban areas, though it is accepted that good telecommunications are only one of many factors in a company's decision to relocate.

Relatively few people in Britain, let alone the Highlands of Scotland, have heard of ISDN and fewer still understand what it means. The joke is that it stands for: "I still don't know." This is partly because it has only come into operation in Britain in the past few months and until BT took the plunge little equipment for use on ISDN lines had been approved or marketed by the manufacturers.

Now, says Colin Pavey of BT, "new ISDN equipment is getting approval every week. The bit in the middle is the customer. What we're doing in the Highlands and Islands is improving basic services, and giving people access to packet switching for the price of a local call throughout the Highlands. ISDN is at the top of the range and will be a specialised market for a long time".

## FT LAW REPORTS

### Law Lords cannot hear appeal

#### THE BALEARES

House of Lords  
(Lord Bridge of Harwich, Lord Brandon of Oakwood, Lord Griffiths, Lord Jauncey of Tullichettle and Lord Lowry):  
July 18 1991

A COURT of Appeal decision to grant or refuse leave to appeal from the High Court in an arbitration case is final and cannot be appealed to the House of Lords.

The House of Lords so held when dismissing an appeal by Geogas Ltd, owners of the Baleares, from a Court of Appeal decision giving leave to the charterers, Trammo Gas SA, to appeal from a High Court decision setting aside an arbitration award made in the charterers' favour.

Section 1(7) of the Arbitration Act 1979 provides: "No appeal shall lie to the Court of Appeal from a decision of the High Court on an appeal under this section unless: (a) the High Court or the Court of Appeal gives leave; and (b) it is certified by the High Court that the question of law... is one of general public importance or is one which for some other special reason should be considered by the Court of Appeal".

LORD JAUNCEY said that the appeal arose out of a dispute between the owners and charterers of Baleares.

The ship failed to reach loading point by the cancelling date, and the charterers called the fixture.

Arbitrators awarded damages to the charterers.

The owners obtained leave to appeal to the High Court. Mr Justice Webster allowed the appeal and set aside the award. He certified two questions of law under section 1(7)(b) of the Arbitration Act 1979, but refused leave to appeal.

Section 1(7) provided that no appeal should lie to the Court of Appeal "unless (a) the High Court or the Court of Appeal gives leave..."

The charterers applied for leave to the Court of Appeal which, by majority, granted the application. It refused leave to appeal to the House of Lords.

In granting the application the majority took the view that the guidelines laid down in the *Nemo* (1982) AC 724 as to the criteria to be adopted in exercising discretion to allow an appeal from arbitrators did not

apply to applications for leave to appeal to the Court of Appeal.

The owners then petitioned for leave to appeal to the House of Lords. The charterers objected that it had no jurisdiction. An appeal committee granted leave without an oral hearing.

At the outset of the appeal Mr Rokison for the charterers contended that a Court of Appeal decision granting or refusing leave under section 1(7) of the 1979 Act was final and unappealable. He relied on *Lane v Esdale* (1981) AC 210 and later decisions.

Mr Goldsmith for the owners argued that the appeal was not excluded by section 1(7), and that the cases relied on by Mr Rokison, while relevant to the charterers, Trammo Gas SA, to appeal from a High Court decision setting aside an arbitration award made in the charterers' favour.

The jurisdiction of the House to hear appeals from the Court of Appeal derived from section 3 of the Appellate Jurisdiction Act 1876, which provided that "an appeal shall lie to the House of Lords from any order or judgment of... the... Court of Appeal".

In *Lane v Esdale* it was held that no appeal lay to the House from a Court of Appeal refusal to grant special leave to appeal from a judgment of the High Court when the time for appealing had expired under Order 8 rule 15.

The Order provided "No appeal to the Court of Appeal from any interlocutory order... shall, except by special leave of the Court of Appeal, be brought after... 21 days".

Lord Halsbury LC said "if that is intended as a check to unnecessary or frivolous appeals, it becomes absolutely illusory if you can appeal from that decision or leave... How could any court of review determine whether leave ought to be given or not without hearing and determining whether it was a fit case for an appeal?" The result would be two appeals.

Lord Herschell said the object of Order 8 rule 15 was to make judgments practically final, but it was thought there might be special circumstances in which the Court of Appeal might relax that rule and permit an appeal.

He said "the exercise of a discretion of that sort entrusted to them is not, within the true meaning of the Appellate Jurisdiction Act, an order or judgment from which

there can be an appeal".

Lord Macnaghten said "the Court of Appeal are constituted the sole and final judges of the question whether an appeal to them should or should not be admitted when the proposed appellant has allowed the prescribed period to elapse", and there could therefore he no appeal from grant or refusal.

Two points emerged from those speeches:

(1) that an exercise of discretion to grant or refuse leave to appeal was not an order contemplated in section 3 of the 1876 Act; (2) that there was no distinction between orders refusing and granting leave to appeal.

No appeal lay to the Court of Appeal unless the High Court or Court of Appeal gave leave.

The legislative intention of limited review would be rendered nugatory if appeals were to lie to the Court of Appeal and then to the House against a decision of a judge refusing or granting leave to appeal from an award to the High Court, and if an appeal were to lie against a Court of Appeal decision to refuse or grant leave to appeal from the High Court to itself.

To allow such a situation would produce the absurdity referred to by Lord Esher in *re Housing of the Working Classes Act*.

The rule of *Lane v Esdale* at the principle stated by Lord Esher in *re Housing of the Working Classes Act* applied.

It followed that the House had no jurisdiction to entertain the appeal, which must be dismissed.

Mr Goldsmith submitted that the appeal committee, in granting leave to appeal, decided the question of competence in the owners' favour.

That was rejected.

If *per incuriam* the appeal committee failed to appreciate the significance of the charterers' objections, such oversight could not clothe the House with jurisdiction if it did not possess it. If on the other hand the appeal committee postponed consideration of the matter until the hearing of the appeal, no decision had been made.

In neither event was the House disabled from now considering the question.

Their Lordships agreed.

For the appellants Sir Peter Goldsmith QC and Timothy Grahame.

For the respondent charterers Kenneth Rokison QC and Peter Gross (Ince & Co).

Rachel Davies

Barrister

# Cutting a niche in machine tools

By Andrew Baxter



## TECHNICALLY SPEAKING

sure three axes of movement are an economical solution. That led to "active read-outs" where the operator could key in a position and the machine would move accordingly.

Bolstered by a big initial order from Bavarian neighbour Maha, Heidenhain launched its first TNC (touch numerical control) system in 1976. A steady flow of updated TNC systems, each of which can run programs written for its predecessors, has enabled Heidenhain to sell about 80,000 systems worldwide for milling machine controls.

Heidenhain's aim throughout, says Miller, has been to maintain a "workshop-oriented approach" with the machine programming the TNC in plain language right of the machine. This has particular advantages for the domestic machine tool market where the apprentice system is still nurtured.

The advantage of the Heidenhain approach is that it keeps the company close to its customers. The drawback is that there is no clear technological path from its control systems to other areas of factory automation.

Heidenhain in any case has no plan for a major thrust because of its commitment to retain world leadership in scaled and encoders. These account for two-thirds of its DM 550m (318m) group sales worldwide.

But Miller is happy with Heidenhain's niche market in numerical controls. While many European machine tool builders have been forced through bitter experience to avoid direct competition with the high-volume Japanese producers, Heidenhain has reached a similar position without the suffering.

Well, not too much, anyway.

## WE'VE PUT THE TOP 1,000 BANKS IN ORDER FOR YOU.

The July issue of *The Banker* once again contains the annual survey of the world's largest banks. Considered by bankers and financiers everywhere as the authoritative yearly ranking of banks, The Top 1,000 survey carries the most up-to-date information and definitive analysis done by any magazine. We even have the latest Japanese bank results. No-one else has these. The Top 1,000 has a very thing you need to know about the banks from Strength of Capital to Soundness to Performance. In spite of sinking profitability, capital strength has improved. Has this been achieved solely by curbing asset growth? Which banks have shrunk their balance sheets? Which banks turned in a higher rate of return on shareholders' funds?

No senior person in the banking world can afford not to have this valuable survey on his desk.

If you are not yet a regular reader, you should know that *The Banker* is essential reading for anyone seriously concerned with banking and finance at the highest level.

You'll find major articles and reports in the July issue as well as the survey. In the July issue we also have the Asian Banker (with a special profile on Malaysia) as well as in-depth probes on Hungary and Egypt. This, together with the regular technology and news section make the July *Banker* essential reading.

*The Banker* may not always make comfortable reading. But it is stimulating and authoritative - and gives you all the information and intellectual background you need.

*The Banker* is available price £3.50 from all good newsagents and mainline stations. Alternatively, you may find it simpler and more convenient to complete the coupon.

**THE BANKER**  
A FINANCIAL TIMES MAGAZINE

Yes, I would like to

## MANAGEMENT: The Growing Business

Investing in start-ups

## Angels rush in where bankers fear to tread

Barbara Durr reports on a crucial catalytic force in American entrepreneurialism

Philip Romano peruses about half a dozen proposals for business start-ups each month, sniffing for a winner. He believes he knows one when he sees one. Romano of San Antonio, Texas, is one of a breed of American entrepreneurs known as a financial "angel".

"I feel I've got an innate sense of what the market wants," says Romano, and it doesn't matter what industry it is. He has shepherded business ventures to success in everything from restaurants to his own line of work - bio-technology and computer software.

"Get involved with someone else's idea and provide some interim finance," he says. But that is a modest description of the role of angels, who have become the most crucial catalytic force in American entrepreneurship.

After a spate of bad experiences in recent years, US banks and venture capital firms are shying away from funding business start-ups and angels, playing their proverbial role, are stepping in where others fear to tread.

According to estimates by the US Small Business Administration, capital provided by angels amounts to approximately \$400 a year, or about 20 times what is currently

available from formal venture capital firms. George Gendron, editor-in-chief of INC magazine, which specialises in covering small and growth businesses, says the figure for informal, or angel, capital "is unknown".

But there is a consensus that it is exponentially larger than what is available through formal venture capital firms, now running at a paltry \$1bn to \$2bn per year.

A head count of angels is also difficult to make. An indication is the estimate that arm's length investors are involved in some 20,000 early-stage companies each year.

While the importance of their economic role and their allure as the prototypical bold individual capitalist make them objects of interest, angels are elusive. They tend to like to work without publicity, in part for fear of being damaged with proposals from money-hungry entrepreneurs.

They usually work discreetly within a network of personal friends and contacts which are located most often in the geographical area closest to their homes. This makes consulting with associates and dropping in on their investments easier. They put up money, but they are also frequently directly involved in the company's management. He

doesn't think about making money. "I think about not losing money. And I think about doing it right." This attitude appears characteristic of angels whose thrill appears to consist of helping a company to grow.

According to David BenDaniel of the Johnson Graduate School of Management at Cornell University: "They hanker for the excitement of the high-growth company." These affluent individuals, many of whom run their own businesses, hold other jobs or have retired early, serve as a bridge between the entrepreneur and larger sources of capital. Their contributions are usually in the \$20,000 to \$250,000 range, though some can go higher.

They also frequently work together with other angels. One group of four older entrepreneurs based in New Hampshire is known as "The Breakfast Club". They get together about seven times a year to scrutinise new company proposals and usually decide to finance a few. Having been entrepreneurs themselves, angels understand from experience what must be done and who to approach for larger cash injections.

Yet perhaps what they know best is how to recognise the

right stuff in an entrepreneur. "The only bet you're making is a people bet. Ideas are a dime a dozen," says William Sahlman of Harvard Business School, who not only teaches entrepreneurial finance but plays angel on the side.

Even when looks to be a good bet does not usually become a big winner. Sahlman calculates that only about 15 per cent of such investments are successful, while the other 85 per cent "don't do much". In as many as a third, investors may lose money, he says.

As a result of such high risks, angels tend to diversify. They may invest in as many as a dozen or so companies staggered over different time periods. The serendipitous nature of angel activity seems to work remarkably well.

But there are some who are attempting to formalise the angels' inherently informal way of working. The Massachusetts Institute of Technology's Enterprise Forum, for example, has recently acquired what is called the Venture Capital Network, a computer data base for matching entrepreneurs and investors. For a \$250 fee, angels and entrepreneurs can put their names, needs and interests in the data bank for six months.

Roger Wilson, executive director of the Venture Capital

Network, says the service receives some 30 or so requests for further information on matches per week. Yet angels have their downsides, too. Some panic quickly at the first signs of serious trouble in their venture. Some are oppressively egotistical and try to impose their control on every step taken by the new company.

But problems can arise when companies need more capital for a second, crucial stage of growth. Some angels may not be able to meet this need and they in turn approach their contacts for bigger cap-

ital.

One of those involved in this special interest is Stefania Aulicino, founder and president of Capital Link, a Chicago-based investment banking firm specialising in growth companies. Aulicino says that angels have limited capital and use her as the link to deeper pockets. While they may have a set of venture capital funds to work with, she has doubts. "Financial angels come to me because it's more cost effective and takes less time for me to do it," she says.

She has also created a subscriber network, including many financial angels, that connects entrepreneurial companies not only with the possibility of money, but with the sort of managerial expertise

that can make them more attractive to big money.

She believes there is enormous demand in the market to remove the ad hoc nature of angel connections. But for the moment, she has little competition because few investment bankers want to take the time to deal with small, still-in-the-making companies. And, unlike normal investment bankers who make their

money from fees, Aulicino will accept half her fee in risky equity.

While many say that the informality of the angel network works superbly well, Aulicino and the Venture Capital Network appear at least to have tapped a certain need on both sides of the market. Yet, for well-established angels like Romano, a serendipitous solo act is part of the thrill.

viewing several candidates. At the end of the interview let the candidate know the timetable for possible further interviews or when he will hear if he has got the job or not. Do not offer the job at the first interview, however impressed you are. Allow time to reflect.

Always check references. A telephone call will usually elicit a more candid response than a letter. Verify facts and ask for impressions of strengths, weaknesses and working relationships. If you make an offer give the candidate time to consider and confirm the starting date and salary.

If this seems like a lengthy process compare it with the cost and time involved of appointing someone who leaves after three months of unproductive work, says Grout.

*"Recruitment Guide", 8 pages, Free.*

*Robert Half, Walter House, 418 Strand, London WC2R 0PT. Tel: 071 826 3545*

## Avoid job descriptions that only attract Superman

Realism is essential when recruiting. Charles Batchelor offers hints to employers

pared outlining the qualifications and experience needed as well as the personality of the candidate.

But guard against writing a job description for which only Superman need apply, Grout warns. Many qualities are desirable but a realistic job description is best limited to what is necessary.

Take account of the potential employee's aspirations and the reasons for the job falling vacant in the first place. Did the previous employee feel frustrated or under-used and was this inevitable given the nature of the job?

The first place to look for a replacement should be in the company itself. This saves time and money; it also means the recruit

already knows the company culture and is a boost to staff morale.

Personal recommendations by existing staff are an often neglected means of recruitment and some companies reward the person making the recommendation once the recruit has completed six months in post.

If you decide to advertise using in-house expertise rather than the services of a recruitment consultant you will have to organise the copywriting, layouts and artwork, book the space and deal with the responses.

Do not cram too much information into the ad but provide enough for applicants to make a choice. Candidates for more senior jobs tend to look first at the title, people

on the way up at the salary and junior staff at the location.

Using your company's name improves the response because one in 10 readers does not respond to an ad which does not name the employer. Time your ad so as not to coincide with, say, examinations or the sector in which you are recruiting or with quiet holiday periods.

Make it easy for applicants to respond, if possible with a freepost address and a fax number, day and evening telephone numbers. Thousands of applications go no further than the would-be applicant's briefcase because there are too many obstacles to sending the envelope. If you must use an application form chase up people who have

requested them otherwise more than half will not be returned.

Curriculum vitas have been described as "balance sheets with out liabilities". When reviewing cvs keep in mind your job description and candidate profile. Is the type and level of experience described relevant to your requirements; what do the accomplishments really mean and are they any gaps in the record which could conceal failures?

After the paperwork comes the interview. This is neither a chat - you are not just trying to "get to know" the candidate but assessing him for a position - nor an interrogation. Approach it systematically. Re-read the cv and note any

queries you may have. Prepare your questions.

Follow a logical sequence. Greet the candidate; put him or her at ease; give an overview of the aims of the interview; find out about the candidate; describe the job; answer any questions. Avoid interruptions and telephone calls and do not sit behind an imposing desk.

Let the candidate do most of the talking and ask open-ended questions. "Why do you feel you would be a good manager?" will elicit more information than "Are you a good manager?" If you are after specific answers do not allow yourself to be side-tracked.

Take notes to refer to later and to avoid confusion if you are inter-

It should be easier to recruit staff during a recession because more good people are available. But the reality is that so many people respond to a job advertisement that applications can threaten to overwhelm the prospective employer. It becomes even more difficult to choose the right candidate, says Jeff Grout, managing director of Robert Half, a financial recruitment company.

Do not rush into finding a replacement when someone leaves, he advises. Decide whether the individual really needs replacing or whether his responsibilities can be taken on by others in the department. Should the job be enlarged or reduced and a different sort of replacement found?

If the departing employee does need replacing, a job description needs to be drawn up explaining the responsibilities of the job and its place in the organisation. A candidate profile should also be pre-

DAYTONA • MIAMI • LE MANS  
24 HOURSGRAND PRIX  
24 HOURS

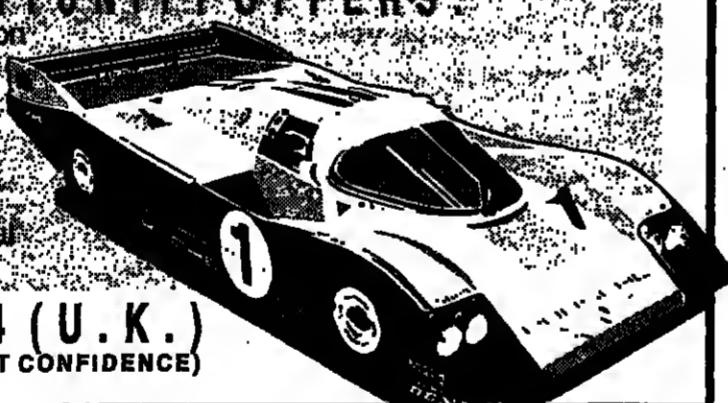
1992

WORLD CHAMPIONSHIP RACING TEAM REQUIRES ADDITIONAL FINANCIAL BACKERS FOR THEIR 1992 I.M.S.A. RACING PROJECT

This highly experienced team will compete primarily in the USA, but will also race in selected major European events

## THIS OPPORTUNITY OFFERS:

- Considerable endorsement space on a highly competitive car.
- A strong media programme, including worldwide television.
- Prestigious events with VIP hospitality opportunities.
- Full promotional support service.
- Direct involvement with international racing team.

FAX: 0903 884 774 (U.K.)  
(ENQUIRIES TAKEN IN THE STRICTEST CONFIDENCE)Knight Frank  
& Rutley  
INTERNATIONALProposed golf course  
at Bletchingley, Surrey5 minutes from  
Junction 6 on M25

Founder members sought

(AJRM/MJP/10725)

London: 071-629 8171  
20 Hanover Square, London W1R 0AHINVESTMENT OPPORTUNITY FOR  
QUALIFIED ACCOUNTANT

(30% Equity Available)

£64 million to  
PSV INDUSTRY  
Merseyside  
Financial Director sought to strengthen Board and concentrate on computational accounting, improving management information, implementing new procedures/controls for rapidly expanding company.

A "hands on" role involving financial control, budgeting, costing, statistical analysis and cash handling. Broad administrative and profit management skills a necessity.

Sub 30 year old with aspirations of investing in profitable business as part of positive, hard working, enthusiastic team.

CV + details in confidence re: J. Rodnick Munden, ClockWork Organisation Limited, Liverpool, Cheshire, CO6 4DN.

INVESTMENT OPPORTUNITY TO PURCHASE  
U.K. RESIDENTIAL PROPERTIES  
AT APPROXIMATELY 50% BELOW CURRENT MARKET VALUE

We have hundreds of elderly homeowners wishing to sell their property in return for a life time rent free tenancy.

This opportunity would interest investor/investors with £1 million or more to invest.

Write Box H8125, Financial Times,  
One Southwark Bridge, LONDON, SE1 9HL

## DOES YOUR COMPANY NEED FINANCE?

Are You Under-capitalised?

- Post-recession Expansion
- Refinancing/Restructuring
- Other Funding Purposes

Call Oscar Williams on 071-853 4212  
or write to:  
FCRS Ltd, Hamilton House, Victoria Embankment  
London EC4Y 0RA

INVESTOR/  
PARTNER NEEDED

Our company has researched, developed and tested a unique luxury product for homes and leisure industries. Demand is proven. We plan to launch national distribution and promotion and need capital of £75 / 100K. Previous losses available for relief.

Please reply to Silver Levene & Co, 37 Warren Street, London W1P 5PD.  
Fax: 081-872-8190.

SEMINARS  
INTERNATIONAL LTD

Wish to interview candidates for selection as seminar directors or financial planning/seminar co-ordinators. Up to 50,000 p.a. plus equity participation. If you are financially numerate with good communication skills, now is the time to ring 01-230 0160 for an appointment.

Seminars International, 5th Floor  
North Tower, Euston Road,  
Bank of America Building,  
Brenton, Kent.

## DO YOU NEED FINANCE?

Are You Under-capitalised?

- Equity and Debt Finance raised for:
- Funds for Acquisition
- Working Capital

SUB-CONTRACT  
ENGINEERING CAPACITY

We are looking for progressive dynamic and forward-thinking companies, preferably located in the South of England or I.O.W.

Send details a.s.a.p. to Box H8512, Financial Times, One Southwark Bridge, London SE1 9HL.

## HIGHLY PROFITABLE

Established annual directory for the leisure industry and list of tourist boards, activity parks, postcards and other items for sale. Ample opportunity for further expansion.

For details write Box H8514, Financial Times, One Southwark Bridge, London SE1 9HL.

## POLAND

MPMIB "Izolacja" in MALKINIA / State-owned Building Insulating Materials Factory.

Offers for sale or setting up joint venture company two production plants:

## Mineral Wool Plant

- production capacity 60000 t/year
- production area 17865 m<sup>2</sup>
- store area 2375 m<sup>2</sup>

## Asbestos-cement Boards Plant

- production capacity 9 m<sup>3</sup> m<sup>2</sup>
- production area 13184 m<sup>2</sup>
- store area 10896 m<sup>2</sup>

There is possibility to start different production. Plants have their own workshops and complete technical infrastructure.

Location: 100 km north-east of Warsaw, near railroad Warsaw - Bielsk - Leningrad  
Not far from USSR border

Ph: Malkinia 96, tlx 87449, 87577.

Address: Mazowieckie Przedsiębiorstwo Materiałów Izolacyjnych Bodowicej "Izolacja" 07 - 320 Malkinia Poland

URGENT INVESTMENT  
REQUIREMENT

Private pension fund requires investment to seek the following criteria:

1. Excellent Covenant
2. Type of property Industrial Office
3. Lot size: Up to £5,000,000
4. Location: Not Central London

Please forward details which only satisfy with the above to the following:

White Box H8006, Financial Times,  
One Southwark Bridge,  
London SE1 9HL.

PAINTING  
CONTRACTOR

We are a well established and managed painting contractor with £1.1m turnover, operating in the North Midland area. We are as a result of the contraction of the construction industry, need to increase turnover or share ownership. We seek another similar

## BUSINESS OPPORTUNITIES

HEADERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

### BUSINESS IN DIFFICULTY?

Funding plus fast, professional help available from a team of experts.

Please ring City and Industrial Securities PLC on 071-730 9801.

**BIZZ-BUZZ** No.7 available. Includes: **Business for Sale & Wanted**, **Insurance Brokers** and **Accountancy Practices**, also opportunities in **Leisure & Leisure**. Contact **JOESTER 9260** (01522 515900), 10 Chimes Meadow, Southwell, NOTTS.

### BUSINESS WANTED

We represent a substantial number of major PLC's in mergers and acquisitions who are constantly looking to acquire sound companies (UK and overseas) either for cash, equity or earn-out deals.

Although not limited to any specific business sectors we have particular requirements in the following areas: long term contract hire; specialist employment and recruitment agencies; office automation; engineering.

We would be pleased to hear from consulting directors and principals of companies with minimum turnover £1m and pre-tax profits £100k, with no upper limits.

for further details please telephone:

MARK DUNN A.C.A. on 0225 535733 or Fax 0225 536001

### FUTURES BROKER WANTED

Forex/Futures/Money Broker required by successful, well capitalised financial services company to compliment its existing operation. Existing management retained.

Principals only to apply in confidence to Box H8984, Financial Times, One Southwark Bridge, London SE1 9HL

### WANTED EMPLOYMENT AGENCIES

We wish to purchase Employment Agencies in the South of England with preferably a turnover of £1 million per annum.

Principals only please write to Box H9510, Financial Times, One Southwark Bridge, London SE1 9HL

### MULTI NATIONAL COMPANY

wishes to enter the non-ferrous stock holding industry in the U.K. This would enable synergy within the group. Immediate funds available for acquisition. All replies to strictest confidence to:

Write to Box H9777, Financial Times, One Southwark Bridge, London SE1 9HL

### A DIVISION OF A SIGNIFICANT

privately owned packaging group

is seeking businesses with

turnovers in excess of circa £3m;

preferably related to packaging or

product distribution.

Write to Box H9777, Financial Times, One Southwark Bridge, London SE1 9HL

### BUSINESS SERVICES

#### Wishing to establish your business in Japan but lack the connections and know how?

We can translate and publish all  
your sales materials in Japanese in  
way appealing to the Japanese  
domestic market.

We can also act as your consultants  
in establishing your foothold in  
Japan.

Please send the material you wish  
translated and published together  
with your requirements to:

**CAREER COMMUNICATION INC.**  
28-2, Yamashita-cho, Naka-ku,  
Yokohama-shi, Kanagawa 231  
TEL: (045) 933-4296  
FAX: (045) 931-1400

#### INTER EUROPE BUSINESS BUREAU

Mail Address, Telephone, Fax,  
Company Formation, Secretarial,  
Conference Room Multi-Lingual  
Tele Sales & Market Research,  
Specialists in introducing products  
into the European Countries.

Inter Europe Business Bureau Ltd,  
Van Beekstraat 15, Antwerp, Belgium,  
Tel: (03) 226 6342, Fax: 226 6401

#### Policy and Procedure Manuals

I write procedure manuals for  
Accounting, Administration, Personnel,  
Quality Control, Computer Systems  
and Technical Operations.

Excellent references, a record of many  
different industries and business  
operations.

Please call Peter Le Page on  
081-840 2721 for details.

#### FRANCHISING

#### JANI-KING MASTER FRANCHISE OPPORTUNITY

#### WHAT RECESSION?

The world's largest #1 ranked  
franchise commercial cleaning  
company is offering the master  
franchise rights for the U.K.  
Jan-King is ranked as the #3  
franchise company in North  
America and #2 in the fastest  
growing company category.  
More than 500 U.K. prospects  
have inquired about becoming a  
franchisee. For more  
information, call Jerry Crawford  
in Dallas at 214-991-0900 or  
Fax 214-991-5723.

### IRELAND, CO. DONEGAL

Beautiful Period Residence and  
licensed Country Club. Great  
potential.  
O/A £140,000 STG.  
Tel: Patterson Stewart 0662  
243603

**BIZZ-BUZZ** No.7 available. Includes:  
Business for Sale & Wanted, Insurance  
Brokers and Accountancy Practices, also opportunities  
in Leisure & Leisure. Contact **JOESTER 9260**  
(01522 515900), 10 Chimes Meadow,  
Southwell, NOTTS.

## BUSINESSES FOR SALE

### Touche Ross

## Edencorp Leisure PLC (In Administrative Receivership)

The Joint Administrative Receivers N. G. Atkinson and A. R. Houghton have available for sale the shares in the following wholly-owned subsidiaries:

### Great Glen Water Park Company Limited

A time share and rental holiday development in the Scottish Highlands.

- 2 freehold sites in close proximity at Loch Lomond (24 acres).
- 1 adjacent leasehold site (28 acres).
- 40 purpose built lodges (11 under time share).
- 11 chalets.
- Purpose built restaurant and leisure complex, licensed bar, pool and sauna.
- Small marina with water sports facilities.
- Turnover £1.4m.

### Diversol Actividades Turisticas, Limitada

Leisure complex owned and operated in Albufeira, Algarve, Portugal.

- Freehold site.
- Cabaret and dining venue.
- Water Park.
- Complex incorporating restaurants, bars and shops.
- Land suitable for development.
- Turnover £2.4m.

### Whitelands Limited

Amusement park situated on a 7 acre site in North Bay, Scarborough.

- 2 chairlifts.
- 2 roller coasters.
- Amusement arcade.
- 3D cinema.
- Cafe.
- Various other attractions.
- Turnover £3.55m.

### Kirkpool Limited

Open-air water park development adjacent to Whitelands Limited, Scarborough.

- Leasehold site with good location.
- Heated pool with two 200m water slides.
- River rapid ride and giant spa bath.
- Cafe, kiosk and shop.
- Turnover £5.75m.

For further information please contact Mrs S. E. Stephen at the address below.

PO Box 810, Fidary Court, 65 Crunched Friars, London EC3N 2NP.  
Tel: 071 936 3000. Fax: 071 480 6881.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Member  
BHT International

### WANTED VEHICLE CONTRACT HIRE/LEASING BUSINESS

Will consider acquisition, cash injection or reconstruction, including purchase of contracts. Write in confidence to Box H8995, Financial Times, One Southwark Bridge, London SE1 9HL

### BUSINESSES WANTED

1. Antique and/or Interior Design Publications
2. G/H Toy Manufacturers - max £2m turnover

Curtis & Co.  
60 Ellery St, London SW1W 9QD  
Tel: 071 823 6955  
Ref: PSFO

### Application Software House Required

Digital based application software house required for acquisition by expanding D.A.S.P.

Write to Box H9509 Financial Times, One Southwark Bridge, London SE1 9HL

### Substantial Client

wishes to acquire Well Established Private Bank

ought purchase or controlling stake

considered.

HUGO WINKLER & CO  
Management Consultants  
100 Finsbury Circus, London NW2 2HN  
Fax: (071) 433 1888

### Grant Thornton

For further details please contact:

Stephen Quinn or Nick Hancock

BDO Binder Hamlyn

Scottish Provident House

52 Brown Street, Manchester M2 2AU

Tel: 061-831 7121

Fax: 061-833 0659

DX No: 18567 Manchester 7

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

### AVOCET INDUSTRIES PLC (IN ADMINISTRATIVE RECEIVERSHIP)

### T/A WILLIAM CROSLAND

The Joint Administrative Receivers offer for sale as a going concern, either as a whole or in part, the following business and assets of the above engineering company, which trades from Dukinfield, Manchester.

- Leading manufacturer of Croslan hand-fed cutting and creasing platters for European Market.
- William Croslan trade mark established since 1890.
- Service and spares parts for 4,000 machines worldwide.
- 40,000 component drawings for full Croslan range.
- Skilled workforce of 15 producing £3.1m turnover for the year ended 31 March 1991.
- Freehold 999 year leasehold premises covering 4,500 square feet.
- Extensive list of machines and spares.

For further details please contact:

Stephen Quinn or Nick Hancock

BDO Binder Hamlyn

Scottish Provident House

52 Brown Street, Manchester M2 2AU

Tel: 061-831 7121

Fax: 061-833 0659

DX No: 18567 Manchester 7

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**BDO  
BINDER  
HAMLYN**

### Whittlesey Motors Ltd (In Receivership)

### Whittlesey, near Peterborough

- Modern freehold garage premises, approx. 1 acre
- Recently installed forecourt and shop
- Full car and body repair facilities
- Showroom and offices approx. 3,000sq ft

For further details contact the Joint Administrative Receiver:

Michael J Scott, Grant Thornton,  
49 Mill Street,  
Bedford MK4 3LB

Tel: 0234 211521

Fax: 0234 325717

Grant Thornton

For further details please contact:

Stephen Quinn or Nick Hancock

BDO Binder Hamlyn

Scottish Provident House

52 Brown Street, Manchester M2 2AU

Tel: 061-831 7121

Fax: 061-833 0659

DX No: 18567 Manchester 7

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

### AIRCRAFT FOR SALE

### AVIATION SALES OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

AIRCRAFT SALES  
OPERATING LEASES

## BUSINESSES FOR SALE

**Decorative Lighting Products**

N.J. Hamilton and W.S. Martin, the Joint Administrative Receivers of Inlite Group Limited and various subsidiary companies, offer for sale the businesses and assets of the following:

**Inlite U.K. Limited****Base and Shade Co. Ltd****Inlite (Banbury) Limited**

- Turnover £5.9m p.a.
- Location - Blackwood, Gwent
- Trading Names: Herald Lighting Maclamp Studio 17 Scan Lighting Alma Lighting

All companies are engaged in the manufacture and distribution of decorative lighting products to a wide range of customers. For further information on the above please contact any of the following:

Jack Lewis or Vaughan Jones, Ernst & Young, Pendragon House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TF. Telephone: 0222 484641. Facsimile: 0222 390565.

Scott Martin, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061 953 9000. Facsimile: 061 834 7171.

William Tacon, Ernst & Young, PO Box 3, Lowgate House, Lowgate, Hull HU1 1J. Telephone: 0482 25531. Facsimile: 0482 20284.

**ERNST & YOUNG**

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

**TEMPBRIDGE HOLDINGS LIMITED**  
(In Administrative Receivership)

The Joint Administrative Receivers, Hedley Brunt and Rod Withershaw, offer for sale as a going concern the business of the above Company and its three subsidiaries. The Companies specialise in the servicing, refurbishment and rental of construction equipment and specifically large earth moving dump trucks of 15 to 50 tons.

- Freehold yard of 1.8 acres near Leamington Spa, with storage premises, convenient to M40.
- Leasing fleet of 22 vehicles
- Turnover 1990 - £2.2 million
- Blue Chip customer base

For further information, please contact Hedley Brunt at

Kidsons Impye  
Bank House  
8 Cherry Street  
BIRMINGHAM  
B2 5AD  
Tel 021-631 2631  
Fax 021-236 2856

**Opportunity to Acquire the Business and Assets of****Pausehurst Limited trading as  
Pausehurst Vehicle Components**

Principal features include:

- Turnover in the financial year ended 31 March 1991 approximately £4.3m
- Leased and rented premises, Swaffham, Norfolk totalling 3000 sq ft approx
- £150K approx component parts stock for major European car manufacturers
- Workforce of 7

For further particulars, contact Jonathan Sisson and Mark Palios, Joint Administrative Receivers, Cork Gully, The Asylum, St Georges Street, Norwich, NR3 1AG. Tel: (0603) 619425 fax: (0603) 631060.

Cork Gully is authorised in the name of Coopers & Lybrand

Dealers by the Institute of Chartered Accountants in England and Wales to carry on Investments Business

**FULLY LISTED  
PUBLIC COMPANY**

Part or Full control available owing to retirement of Chairman.

Market Cap. £5.5 million.

Famous name consumer products and other subsidiaries.

Write to Box H9503, Financial Times, One Southwark Bridge, London SE1 9HL

Retirement sale of profitable engineering business based in Sussex manufacturing precision electro-mechanical products that sell into UK and international niche markets. Sales over next twelve months should exceed £1 million (70% overseas) with forecast PBT of £120K-£150K. Would particularly suit company with existing overseas sales network that could realise international market potential for the products and thus increase sales and profitability since GP exceeds 50%.

Principals only please, write  
Box H9000, Financial Times,  
One Southwark Bridge, London SE1 9HL

**FOR SALE**

Freehold quarry located near Manchester Limestone Reserves in excess of 3 million tons with waste disposal permission. Modern plant. Currently operational.

Write Box H8957 Financial Times, One Southwark Bridge, London SE1 9HL

**FOR SALE**

Manchester based Beers, Wines, Spirits and Soft Drinks Wholesaler. Current Turnover £22M Plus Delivery Service & Cash and Carry. Serious Enquiries Only

Apply Box No: H8944 Financial Times, One Southwark Bridge, London SE1 9HL

**Metal  
Fabricators  
Manchester**

The Joint Administrative Receivers offer for sale as a going concern, the business and assets of Green Brothers (Fabrications) Limited. Principal features include:

- Precision fabricators in all metals for use in truck and railway bodies
- Annual turnover in excess of £3 million
- Operating from freehold and leased premises in the centre of Manchester
- 58 employees
- Blue chip customer base
- Order book in excess of £350,000

For further details please contact John Warren, Scott Martin or Manu Misri, Ernst & Young, Lowry House, Manchester M2 3AW. Telephone: 061 953 9000. Fax: 061 834 7171.

**ERNST & YOUNG**

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

**L.J. Steel  
(Jewellers) Limited**  
(In Administrative Receivership)

Long established jewellery and gift shop occupying a prime location in the centre of Bowness in Windermere, Cumbria.

- Freehold property, approximately 2,000 sq ft
- Turnover £375,000 p.a.
- Stock in excess of £100,000
- Recently opened first floor cafe for up to 40 covers
- Siding business retailing hearing aids and providing after sales professional advice and repairs

All enquiries to R.M. Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93A Grey Street, Newcastle upon Tyne NE1 6EJ. Telephone: (091) 221 1222. Fax: (091) 261 2916.

**ERNST & YOUNG**

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

**FOR SALE  
PROFITABLE  
MANUFACTURING BUSINESS  
(ELECTRICAL ENGINEERING)**

- Turnover £5.0 million p.a.
- Solid profit record
- Strong cash flow
- Well established
- Based in Yorkshire
- Freehold premises
- Blue chip customer base
- Sound management
- Skilled workforce

Write to Box H8954,  
Financial Times,  
One Southwark Bridge,  
London SE1 9HL.

**RESTAURANT GROUP  
FOR SALE  
12 RESTAURANTS  
TURNOVER £6.4 MILLION (1990)**

SPECIALISING IN PIZZA AND PASTA  
2 KEY EXECUTIVES AVAILABLE  
ON CONTRACTS IF REQUIRED

**1 SITE UNDEVELOPED**

OPERATING PROFIT C.£1.5M.

Write Box H 9520, Financial Times,  
One Southwark Bridge, London SE1 9HL.

**NORTH CORNWALL  
Recently Completed  
Holiday Complex**

- Suitable for Hotel/Timeshare use
- 37 One/Three Bedroom Units
- Extensive Leisure Centre
- Freehold
- Approximately 30 acre site

**FOR SALE**

All enquiries to writing to:  
DWW Advertising Ltd (Ref: M174)  
104-116 Goswell Road, London EC1V 7DH

**LEADING CONSERVATORY  
COMPANY**

with an established nationwide reputation for quality. Glass and joinery manufacturer. Sales £3M. Order book £600K. The profitable business for sale. For further information please write to:

Baker Tilly, Chartered Accountants (Ref C1JL)  
2 Bloomsbury St., London WC1B 3ST.

**MAGAZINE FOR SALE**

Market leader.  
Business to Business magazine with strong recruitment section.

Write Box H8918, Financial Times, One Southwark Bridge, London SE1 9HL

**CHANDLERY**

Well established. Sales over £1 million. Prime Retail Location.

South Coast. Genuine Reason for Sale.

Write Box No: H8992 Financial Times, One Southwark Bridge, London SE1 9HL

**MOTOR DEALERSHIP**

A prestige European Franchise may be available shortly in South Wales.

Principals only. Please write Box H8922, Financial Times, One Southwark Bridge, London SE1 9HL



## ARTS

# Perfect prints, purchased for pennies

William Packer on the collection of Ambroise Vollard, and a fine selection of watercolours

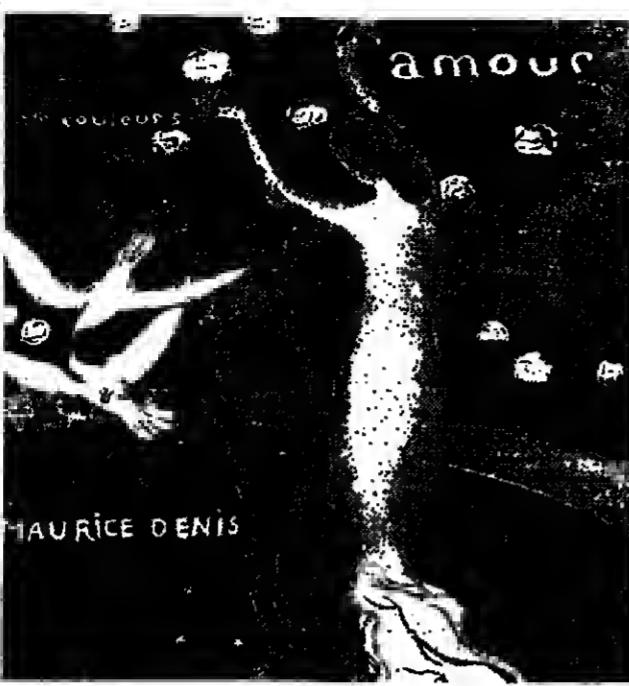
**W**ith works of art the sum is not necessarily greater than the parts, yet any coherent group or collection, of whatever kind, is always worth a second look. Late as it is, it is still not too late to catch sight in London of two rather special examples.

Ambroise Vollard (1867-1939) was a Parisian picture-dealer who was also a pioneer in publishing and dealing in fine art prints. He looked in particular to artists who were either not yet established as print-makers, or had yet to think of themselves as such, for the work he commissioned. His first folio appeared in Paris in 1895, and Agnew's (43 Old Bond Street W1; until Friday) has brought together most of what appeared under his name before 1914.

In an age when the artist's print is both a commonplace and a notorious money-spinner, it is salutary to look back to a time when the work of the greatest artists of the day was readily accessible to the most modest of collectors. Good luck to the artists and dealers who can command the prices, but the principle of the cheap signed and editioned image is gone for ever. We have only to look at the figures to see the inevitable. Take a name of the moment, a characteristic image in an edition of 100 or more, an asking price well into four figures, and goodness, how the pounds mount up.

In the 1890s, the prints of Forain, Daumier, Laurencin and others were to be picked up for pennies, and the Japanese wood-cuts that had so profound an influence on the fin-de-siècle avant-garde were still flooding into Europe as barely more than wrapping paper.

Vollard's first major essay as publisher, the *Album des Peintres-Graveurs*, appeared in the summer of 1896 in an edition of 100 at the price of FF100. It held a print by each of 22 artists, including Bonnard, Denis, Fantin-Latour, Munch, Redon, Renoir, Vuillard... The following year he



Couverture of the *Amour* album, by Maurice Denis, published by Vollard. List was extended to 32 images from 31 artists, for Bonnard had also designed the cover.

A third album was planned for 1899 but never appeared. Instead Vollard had already begun to commission suites of prints from individual artists, set on certain themes, and these began to appear before the turn of the century.

Redon came first in 1896 with his third series of lithographs after Flaubert's *Tempation de St. Anthony*, 24 in all. Then in 1898 came *Amour*, an album of 12 prints by Maurice Denis, followed the next year by Bonnard's *Quelques Artistes de la Vie de Paris et Vuillard's Paysages et intérieurs*.

Roussel's *Paysages* (1900) never got beyond seven of the projected 12 prints, and there was then an interval. Vollard by then had grown interested in the idea of the artist's book and had already asked Bon-

nard to illustrate Verlaine's notorious *Parallèle* (1900). But he would return eventually to the portfolio. In 1913, having lately acquired the plates of 14 of the symbolist etchings and dry-points that Picasso had made around 1905, of the clown and his family, he republished them as an album titled *Les Saltimbanques*.

Agnew's is showing all these sets complete and the greater part of the remainder. All are in such remarkably fine condition that even the most familiar of the images - Laurencin's pony and trap setting out for the country, perhaps, or Bonnard's black-coated laundry-woman, with her little dog and heavy lamp - seem again new, fresh and stimulating. The opportunity to see so much together again that was indeed always intended to be enjoyed ensemble if not en serie, is not one to miss.



Train Landscape, 1940, by Eric Ravilious, from the Brush to Paper exhibition

**B**rush to Paper, the selection of British watercolours from the collections of the Aberdeen Art Gallery now on show at the Banksy Gallery (48 Hopetoun Street SE1; until Sunday; sponsored by Texaco) cannot boast quite such particularity, yet it too is mutually sustaining and coherent through the several sections by which it is arranged. It embraces the work of some 25 years, from Sandy and Rowlandson to Bellamy, and evinces a natural though by no means excessive Scottish bias.

Rather than the conventional chronology, it chooses to offer a number of categories by which the works may be linked in general sympathy across the centuries - Ships & the Sea; The Daily Round; Caledonia; Round & Wild; The Artist on Tour and so forth. Too of these need be taken too seriously, but the cross-references

thus encouraged is often as intriguing as it is amusing - Rowlandson's deliciously raffish Coffee House of the 1790s, for example, seen against the two women of Jim Lovegrove, gossipping away in a cafe in the 1950s.

There are any number of beautiful things, and not all of them by the most obvious names. I had not come across George Wilson, a Victorian painter, yet his *On the Bogie*, of distant hills seen across an expanse of water-meadow, sits happily here with anything else.

There are of course excellent examples of the more familiar and expected names. At random: Girtin, Clausen, Nash, Ravilious, Bonnington, Stanfield, Gillett, Cowie, Blackadder, Piper, Sargent, Melville, Eardley, both Johns, and I noted in particular Norman Adams' rough abstracted sea-

scape, Dyce's study for *Peggy's Bay*, and Pinwell's poignant pre-Raphaelite *The Princess and the Ploughman*. Erekine, Nicola's Wilkie-esque *The Tenant's Reply* is the funniest single item and Ian Meekins Smith's recent large, simple and abstracted *Second Leicht Gate* barely more than an elegantly colourful oriental idiom, perhaps the most consciously exquisite.

Mr Smith is the director of the Aberdeen Art Gallery, a rare example in our time of the artist allowed such executive responsibility. He came into a magnificent inheritance, for Aberdeen's was already as good a civic collection as any in the two kingdoms. Yet over some two decades now he has kept that collection conspicuously alive in difficult times through his policies of acquisition and exhibition. Long may he continue.

## Some Days

ALBERT HALL & RADIO 3

The music of Mark Anthony Turnage and the Proms seem made for each other. Last year the last great British work *Three Screening Pages* had a warmly enthusiastic welcome on Sunday the same happened for the new set of songs, *Some Days*, of which the mezzo-soprano Cynthia Clarey and the Royal Opera House Orchestra under Bernard Haitink gave the first performance (as part of the John S. Cohen Foundation series of concert commissions for the ROH orchestra).

This underlines two particular virtues in the young composer's idiom, both happily linked: the large, immediate appeal of his harmonic language, tinted by the blues, popular song, and Mahler, Stravinsky and Tippett in equal measure, and the tactfully disciplined feeling for mood and atmosphere. Turnage, though he came to public attention as the roaring-boy creator of the "scandalous" opera *Greek*, has in reality always shown rare fastidiousness in his control of notes and colouristic details. This cycle - four short, ruefully tender blues-poems enclosing a central orchestral "Tango" (which equally seems to be a cod fox-trot) - has that, and a new emotional maturity and restraint as well.

The chosen poets are black Americans and Africans (the South African Bloke Modisane among the latter); the chosen themes are urban disaffection, and love, as its antidote though, since the final song is a larkily hummed parting blues on a single line. "Now am absolutely alone forever" the composer suggests that its curative success is unlikely. The word-settings are suggestively rather than lavishly lyrical: a small orchestra shows itself as ready to sigh and fall silent as to offer its trenchantly placed comments - wry, keening pairs and trios of bassoon (first song) and clarinets (second) add their voices apart before coming together in the fifth.

This seems to me a masterly work, full of sounds one immediately wants to hear and relish all over again, approachable in its range of references and influences but utterly new in its ways of responding to them. It was sung with ideally smoky, sharp-sweet tones and inflections by the marvellous Miss Clarey (Glyndebourne's memorable Gershwin Serena and Monteverdi Octavia), and strongly delivered by Haitink and his orchestra. As the centrepiece in this concert of 20th-century English music - between Britten's *Four Sea Interludes* and a magnificently clear-eyed, long-lined, muscular account of the Elgar *A flat Symphony* - *Some Days* fitted very well indeed.

It seems to me a masterly work, full of sounds one immediately wants to hear and relish all over again, approachable in its range of references and influences but utterly new in its ways of responding to them. It was sung with ideally smoky, sharp-sweet tones and inflections by the marvellous Miss Clarey (Glyndebourne's memorable Gershwin Serena and Monteverdi Octavia), and strongly delivered by Haitink and his orchestra. As the centrepiece in this concert of 20th-century English music - between Britten's *Four Sea Interludes* and a magnificently clear-eyed, long-lined, muscular account of the Elgar *A flat Symphony* - *Some Days* fitted very well indeed.

Max Loppert

## Morrissey

JONES BEACH, NEW YORK

It could have been any rock crowd, but the flowers were a rock.

Thousands of New Yorkers had flocked to a beach-side stadium on Long Island to pay homage to Morrissey, former front man for The Smiths and the master of Manchester melancholy, who has now brought his tour to the UK.

It was a surprise so many turned out to see a singer/songwriter who has never had a hit in the US, and who is notable on American MTV only for his absence. Yet the crowd, predominantly white and young, were genuine enthusiasts.

Morrissey received a Messiah's welcome when he took the stage. Showered with flowers from the outset, he was mobbed by stage invasions throughout a short but energetic set. Fans repeatedly broke through the bouncers' defences to embrace their hero with bear hugs. "Morrissey is Lite" said one banner, but he was in peril of having it seized.

Such was the mélée at the front, it was difficult at times to concentrate on the music. The band was not well served by a sound mix as muddied as the waters that lapped the sides of the auditorium, and he was in peril of having it seized.

It was easier to enjoy his older work, and the *Bona Drag* album featured heavily. From the opening Cure-like riff of "Interesting Drug", to "The Last of the Famous International Playboys" (performed with the necessary lack of modesty) Morrissey kept up a brisk pace, backed by three guitarists and a drummer who looked like they had just been plucked from a Moss-side garage band circa 1977.

Falling limbs, jangling guitars and flowers. Shut your eyes and it could have been early-Eighties Manchester. Only the sound of the Atlantic shore, the salty breeze and a car park full of convertibles gave the game away.

Patrick Harverson

## Second Stride reprieve

The dance company Second Stride has been awarded a grant of £65,000 from the Arts Council to save it from threatened closure.

The money comes from the New Collaborations fund,

which was launched by the Arts Council to promote multi-disciplinary work. The grant ensures that the Second Stride company can continue in work until at least March 1992.

Jazz in Lugano

The third *Lugano Blues to Bop Festival* will be held over the weekend of August 30, 31 and September 1. Concerts and recitals will be held in the open-air throughout the three days of the festival and all will be free.

Details can be obtained from the *Lugano Tourist Office*, Riva Alberto II, CH-6900 Lugano, Switzerland. (tel 031 214664, fax 844032, fax 031 227553).

Garry Booth

After an hour or so of stage moving "the surprise night" was drawn in by Jimmy Cliff, "the shepherd of reggae music", and a knees-up which closed as the sun came up.

Other nights were equally surprising and almost bursting at the expansive seams. The following night was billed as a "jazz gala with Q and friends". It featured the extravagant if sometimes overblown sight and sound of the Count Basie Orchestra accompanying over a dozen singers - from the elderly French smoothie Henri Salvador in his white flannels and blue blazer, through Leon Thomas and his yodelling scat, to rappers Kool Moe Dee and Melle Mel.

Held together by the vocalise of Jon Hendricks, it was helped in its incongruity by the presence of Toots Thielemans, the Belgian harmonica player and whistler who bears a passing resemblance to Douglas Hurd, shoulder to shoulder with a grinning and bare-chested Grandmaster Flash. At this coming after drummer Grady Adams' "Windmills of your mind" left the head spinning.

Q has a lot of friends and most of them were there at Montreux at one time or another during the month. Miles, incidentally, turned down the Ferrari in exchange for performing the old stuff - Gil Evans arrangements from Sketches of Spain, for instance. He told Q he was asking for a lot of notes and wanted a lot of notes in return. He would have the car next year.

It was a surprise so many turned out to see a singer/songwriter who has never had a hit in the US, and who is notable on American MTV only for his absence. Yet the crowd, predominantly white and young, were genuine enthusiasts.

Morrissey received a Messiah's welcome when he took the stage. Showered with flowers from the outset, he was mobbed by stage invasions throughout a short but energetic set. Fans repeatedly broke through the bouncers' defences to embrace their hero with bear hugs. "Morrissey is Lite" said one banner, but he was in peril of having it seized.

Such was the mélée at the front, it was difficult at times to concentrate on the music. The band was not well served by a sound mix as muddied as the waters that lapped the sides of the auditorium, and he was in peril of having it seized.

It was easier to enjoy his older work, and the *Bona Drag* album featured heavily. From the opening Cure-like riff of "Interesting Drug", to "The Last of the Famous International Playboys" (performed with the necessary lack of modesty) Morrissey kept up a brisk pace, backed by three guitarists and a drummer who looked like they had just been plucked from a Moss-side garage band circa 1977.

Falling limbs, jangling guitars and flowers. Shut your eyes and it could have been early-Eighties Manchester. Only the sound of the Atlantic shore, the salty breeze and a car park full of convertibles gave the game away.

Patrick Harverson

Second Stride reprieve

The dance company Second Stride has been awarded a grant of £65,000 from the Arts Council to promote multi-disciplinary work. The grant ensures that the Second Stride company can continue in work until at least March 1992.

Jazz in Lugano

The third *Lugano Blues to Bop Festival* will be held over the weekend of August 30, 31 and September 1. Concerts and recitals will be held in the open-air throughout the three days of the festival and all will be free.

Details can be obtained from the *Lugano Tourist Office*, Riva Alberto II, CH-6900 Lugano, Switzerland. (tel 031 214664, fax 844032, fax 031 227553).

Garry Booth

After an hour or so of stage moving "the surprise night" was drawn in by Jimmy Cliff, "the shepherd of reggae music", and a knees-up which closed as the sun came up.

Other nights were equally surprising and almost bursting at the expansive seams. The following night was billed as a "jazz gala with Q and friends". It featured the extravagant if sometimes overblown sight and sound of the Count Basie Orchestra accompanying over a dozen singers - from the elderly French smoothie Henri Salvador in his white flannels and blue blazer, through Leon Thomas and his yodelling scat, to rappers Kool Moe Dee and Melle Mel.

Held together by the vocalise of Jon Hendricks, it was helped in its incongruity by the presence of Toots Thielemans, the Belgian harmonica player and whistler who bears a passing resemblance to Douglas Hurd, shoulder to shoulder with a grinning and bare-chested Grandmaster Flash. At this coming after drummer Grady Adams' "Windmills of your mind" left the head spinning.

It was a surprise so many turned out to see a singer/songwriter who has never had a hit in the US, and who is notable on American MTV only for his absence. Yet the crowd, predominantly white and young, were genuine enthusiasts.

Morrissey received a Messiah's welcome when he took the stage. Showered with flowers from the outset, he was mobbed by stage invasions throughout a short but energetic set. Fans repeatedly broke through the bouncers' defences to embrace their hero with bear hugs. "Morrissey is Lite" said one banner, but he was in peril of having it seized.

Such was the mélée at the front, it was difficult at times to concentrate on the music. The band was not well served by a sound mix as muddied as the waters that lapped the sides of the auditorium, and he was in peril of having it seized.

It was easier to enjoy his older work, and the *Bona Drag* album featured heavily. From the opening Cure-like riff of "Interesting Drug", to "The Last of the Famous International Playboys" (performed with the necessary lack of modesty) Morrissey kept up a brisk pace, backed by three guitarists and a drummer who looked like they had just been plucked from a Moss-side garage band circa 1977.

Falling limbs, jangling guitars and flowers. Shut your eyes and it could have been early-Eighties Manchester. Only the sound of the Atlantic shore, the salty breeze and a car park full of convertibles gave the game away.

Patrick Harverson

Second Stride reprieve

The dance company Second Stride has been awarded a grant of £65,000 from the Arts Council to promote multi-disciplinary work. The grant ensures that the Second Stride company can continue in work until at least March 1992.

Jazz in Lugano

The third *Lugano Blues to Bop Festival* will be held over the weekend of August 30, 31 and September 1. Concerts and recitals will be held in the open-air throughout the three days of the festival and all will be free.

Details can be obtained from the *Lugano Tourist Office*, Riva Alberto II, CH-6900 Lugano, Switzerland. (tel 031 214664, fax 844032, fax 031 227553).

Garry Booth

After an hour or so of stage moving "the surprise night" was drawn in by Jimmy Cliff, "the shepherd of reggae music", and a knees-up which closed as the sun came up.

Other nights were equally surprising and almost bursting at the expansive seams. The following night was billed as a "jazz gala with Q and friends". It featured the extravagant if sometimes overblown sight and sound of the Count Basie Orchestra accompanying over a dozen singers - from the elderly French smoothie Henri Salvador in his white flannels and blue blazer, through Leon Thomas and his yodelling scat, to rappers Kool Moe Dee and Melle Mel.

Held together by the vocalise of Jon Hendricks, it was helped in its incongruity by the presence of Toots Thielemans, the Belgian harmonica player and whistler who bears a passing resemblance to Douglas Hurd, shoulder to shoulder with a grinning and bare-chested Grandmaster Flash. At this coming after drummer Grady Adams' "Windmills of your mind" left the head spinning.

It was a surprise so many turned out to see a singer/songwriter who has never had a hit in the US, and who is notable on American MTV only for his absence. Yet the crowd, predominantly white and young, were genuine enthusiasts.

Morrissey received a Messiah's welcome when he took the stage. Showered with flowers from the outset, he was mobbed by stage invasions throughout a short but energetic set. Fans repeatedly broke through the bouncers' defences to embrace their hero with bear hugs. "Morrissey is Lite" said one banner, but he was in peril of having it seized.

## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 071-473 3000 Telex: 922186 Fax: 071-407 5700

Tuesday July 23 1991

# All power to the consumer?

THE PRIME minister describes his Citizen's Charter as only the first step in a programme for the decade. He is right: it will take more than a white paper or even two to put the consumer firmly into the driving seat of public services. It will also need considerable political will to sustain the programme in a government machine used to absorbing such initiatives.

The principles behind the charter are simple. Users of public services should be given information on what they are entitled to, including targets on standards of service. And there should be simple methods of redress when services do not come up to scratch. In other words, a service contract should be created between the service user and the service provider, with powers for the user to enforce the contract.

Implementing these principles is somewhat trickier, as yesterday's document demonstrates. In many parts of the public services, poor quality is the result of inefficiency combined with the mentality that the service provider knows best. Comparative data on the performance of utilities, schools, health authorities and local councils can help in highlighting inefficiency, and provides moral incentives to bring the worst up to the standards of the best. Effective complaint procedures can chip away at producer-dominated attitudes, particularly if monitored by independent inspectors and the results made public.

But on their own, information and complaints procedures are insufficient to force the service providers to put the user first. That requires two further steps: adequate means of redress, so that the user can sting the service provider to remind him that the customer is king; and sufficient funds for the service provider to achieve acceptable quality.

### Waiting times

On redress, the white paper offers some interesting initiatives. Health authorities will have to declare and publicise waiting times for operations, with a maximum waiting time of two years for all but exceptional operations. If targets are not met, health authorities

## Judging BCCI

IN ITS make-up, the inquiry to be conducted by Lord Justice Bingham into the closure of BCCI bears a traditional stamp. This is regrettable in so far as Lord Bingham will be examining matters which are both highly technical and international in character. It means that the inquiry has a reasonable chance of saying something useful about certain issues and none at all of shedding light on others, which may be of equal or greater importance.

The central target is the quality of the decision-making process at the Bank of England, and the effect of the practical restrictions imposed by the Banking Acts: for instance, in the obligation which the Bank felt itself to be under, when investigating irregularities, to wait for evidence of a quality which would withstand stringent legal tests. Lord Bingham should also be able to examine and make sensible recommendations about the depositor protection issues which BCCI has thrown up.

It is welcome that in pursuing these questions, the inquiry will be able to call public officials, up to and including the prime minister himself. It was clear yesterday from the tone of the opposition's questioning that a determined attempt is to be made to implicate Mr Major personally in the BCCI affair. It is, however, a damaging aspect of the traditional approach that Lord Bingham will take evidence

wholly in private. It should have been possible to permit in-camera sessions for evidence, likely to prejudice either criminal proceedings or national security without recourse to the comfort blanket of all-embracing secrecy. When the government promises publication of the inquiry's conclusions, it is also to be hoped that it means a full account of the inquiry will be published, rather than skeletal judgements.

It will be up to Lord Bingham to interpret his brief broadly. For instance, it emerged yesterday that Price Waterhouse, BCCI's auditors, believe it may be possible that the bank was unprofitable throughout its existence, a fact allegedly obscured by fraudulent reporting. Unless national regulators have sweeping powers to outlaw particular companies and individuals from operating within their own jurisdictions, they cannot easily come to grips with the international manipulation of financial assets and liabilities.

In answering questions from his own side in the Commons yesterday, the prime minister accepted the need for dialogue between governments to address the complex global regulatory questions which arise from the BCCI affair. This, however, should not be allowed to mean that all consideration of the overseas aspects will be shelved until after Lord Bingham has reported.

## Israel must say yes

ISRAEL should now accept the US proposals for a Middle East peace conference. For the first time since it was created, Israel's Arab neighbours say unequivocally that they are willing to negotiate a treaty based upon UN resolutions 242 and 338 which enshrine the principle of exchanging land for peace, while still allowing space for negotiation on the details. The US, which has long been Israel's most consistent and committed supporter, has applauded the Arab decision and believes that an historic opportunity could at last be at hand.

Israel has been asking for such a statement from the Arab nations for more than 40 years. For a nation which has throughout its existence sur-

vived under the threat of war, Israel should be enthusiastic, if sceptical, at the chance of opening a new era. It should therefore seek, quickly, to test Arab intentions.

Of course, the substantive issues to be negotiated are formidable and mutual suspicions deep-seated. The US, its western allies and the Soviet Union, have a duty to sustain the momentum by anticipating problems and by being prepared to offer extraordinary security guarantees to the signatories of a peace agreement. This, rather than threats, may be the best way to persuade less flexible members of Israel's government that they cannot have both peace and the territories Israel occupied in 1967.

Freudian slip?

■ Picture the scene. Shakespeare's *Midsummer Night's Dream* is about to begin at the Open Air Theatre in London's Regent's Park when there's commotion in the audience.

When Mr John Major warned European heads of state at the Luxembourg summit last month that Europe faced a right-wing backlash unless the European Community took immediate action to stem the tide of immigration, he touched a raw nerve.

Immigration - both legal and illegal - has moved to the top of the political agenda right across the Community. Many politicians are starting to think - and a few say - that Europe is already full, with an estimated 10m immigrants, and that the need for the harmonisation of immigration policies across the Community is now urgent.

The Dutch, who took over the EC presidency on July 1, have made harmonisation of asylum regulations within the next six months a priority. Mr Ernst Hirsch Ballin, the Dutch justice minister, called it "one of the most urgent tasks of our presidency".

Yet despite general agreement on the need for European co-operation, within days of the Dutch assuming the EC presidency several member states had taken unilateral action to tighten their own immigration and asylum laws.

The British government, which had pushed strongly for co-operation in this area, introduced changes in the UK's asylum laws to speed up and simplify procedures and tackle the growing problem of asylum abuse, such as bogus applications for asylum as a way around immigration controls.

France, announcing measures to crack down on illegal immigrants, said it intended to deport between 300,000 and 1m. Germany confirmed that it would go ahead with the deportation of between 50,000 and 100,000 illegal immigrants.

The British move was prompted by Mr Kenneth Baker, the home secretary, described as the growing problem of asylum abuse. According to the Home Office, applications for asylum in Britain have risen from 5,000 in the whole of 1988 to more than 1,000 a week in the first six months of this year.

These figures are disputed by refugee and immigration agencies which accuse the government of scare-mongering and of playing the race card. Ms Jan Shaw, Amnesty International's refugee officer, says that statistics

The co-ordination of immigration policies across the European Community has become a pressing concern, writes Robert Rice

# Europe's need for a common front

stant growth in the numbers seeking asylum and the rapidly rising cost of processing claims.

Refugee organisations such as the United Nations High Commission for Refugees (UNHCR) have warned that present developments will eventually lead to the collapse of traditional western asylum systems unless changes are made.

The problem with the present system - based on the 1951 UN Convention Relating to the Status of Refugees - is that it was developed largely from the experience of handling refugees from eastern Europe between 1950 and 1975. The cold war ensured that those fleeing from east European countries were generally welcomed with open arms by the west.

But in the mid-1970s the focus of the refugee problem began to shift from Europe to south-east Asia and Africa, largely because of an increase in political oppression and civil wars in those regions. At the same time recession and rising unemployment in Europe following the 1973 oil crisis prompted governments to impose tougher immigration controls. As the new measures began to bite so the number of asylum applications began to rise.

In Europe the number of immigrants fell from 1.2m in 1973 to an average of between 700,000 and 800,000 a year by 1980. But the number of asylum-seekers rose from 14,000 in 1973 to 71,000 in 1983 and by 1990. Between 1983 and the end of 1990 there were 2.2m applications for asylum in Organisation for Economic Co-operation and Development (OECD) states. On present trends asylum-seekers will outnumber conventional migrants within four years.

This presents European countries with a political dilemma. Most of them pride themselves on their willingness to provide asylum for genuine refugees - those who according to the international standard laid down in the 1951 UN Convention are unwilling or unable to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion.

But the more asylum becomes a costly form of immigration control, as now appears to be the case across Europe, the more public support for genuine refugees will fall away. The danger is that governments will be panicked into introducing restrictive asylum rules which will adversely affect genuine asylum-seekers.

Clearly abuse of the asylum system has increased in recent years, but the rise in the number of applicants cannot be wholly attributed to bogus applicants.

Iran, Sri Lanka and Lebanon accounted for nearly 200,000 of the 900,000 applications for asylum in Europe between 1986 and 1989. Among these were many with invalid claims and many making multiple or parallel applications. But the bulk of the rise in the overall number can be attributed to the increase in the number of economic migrants.



In 1988 alone 120,000 asylum-seekers arrived in the EC from three European states, Poland, Yugoslavia and Turkey, all with high unemployment and poor economic conditions. This problem has been exacerbated by the collapse of the communist regimes of the east.

At the same time the number of applicants being granted refugee status continues to decline, while the number whose applications have been rejected but who are allowed to stay on humanitarian grounds is growing.

Overall in Europe it is estimated that 75 per cent of applicants who undergo the full asylum procedure after pre-screening at ports of entry stay in the country when the procedures have been completed. Roughly half remain legally having obtained refugee status, while the other half stay illegally or semi-legally, having

been given leave to remain on humanitarian grounds.

Meanwhile, the costs of processing this vast increase in asylum-seekers have soared. In 1988 the cost for processing applications and for the care of asylum-seekers in 10 European states (plus Canada) was at least \$4.8bn, plus \$2.9bn of which Germany accounted for 34 per cent (\$1.6bn) and Sweden 17 per cent (\$300m). In the UK, the Home Office says it cost \$400m last year to keep 30,000 asylum-seekers on state benefits while their cases were processed. The system is clearly under intense pressure.

So far co-operation on immigration policies within the EC has been confined to two conventions: the Convention on Asylum, also known as the Dublin Convention, which provides that asylum-seekers will only be allowed to file their application in one

specified member state; and the Convention on the Crossing of External Borders, under which member states will co-operate systematically in imposing visa requirements on nationals of the same countries and sanctions on transport operators which carry people not in possession of the required visas or travel documents.

Both conventions are awaiting ratification but should be in place by the end of 1992. Several countries belonging to the European Free Trade Association (Efta) have expressed a desire to affiliate to these conventions which would extend systematic co-operation well beyond the Community.

In addition, the Schengen Supplementary Agreement signed in June last year by the Schengen Group (comprising Germany, France and the Benelux countries) provides for uniform principles to be applied by its members in controlling their external borders, including harmonisation of conditions of entry and visa requirements and criteria for determining the country responsible for examining an asylum request.

Such a policy direction is causing great concern among refugee agencies. Amnesty International, for example, welcomed the intention of contracting states to agree on which state is responsible for examining a particular asylum request and thus avoid any further increase in the number of so-called "refugees in orbit".

But Amnesty is concerned that a particular state where a person asks for asylum could refuse to hear the request, and instead send the person to a country that is deemed under the convention to be responsible for examining the request but where the border or refugee procedures lack essential safeguards.

Equally, in respect of visa requirements and the imposition of penalties on carriers, the agencies are concerned that the net effect will be to obstruct those in need of asylum. Governments may assert that people who need protection can apply for a visa, but in practice this is often difficult. As in the UNHCR handbook on procedures for determining refugees status notes: "In most cases a person fleeing from persecution will have arrived without the barest necessities and very frequently even without personal documents." Many asylum-seekers have to flee urgently and cannot wait for a visa to be issued, or it may simply be too dangerous for the asylum seeker to apply for one.

The real problem, however, is that co-operation between member states is largely meaningless unless and until procedures and criteria for determining refugee status within the Community are harmonised.

At the moment inconsistencies within the EC mean that an asylum-seeker who may be recognised as a refugee in one member state may be refused recognition by another.

That is the problem to which the Twelve have now turned their attention. The trouble is that no one appears to know what is involved, other than that an inventory of member states' asylum policies is being compiled with a view towards harmonisation by the end of the year.

The UK Home Office says only that it is still early days and that it is keen to see progress in implementing the Dublin convention.

The fear among refugee agencies, however, is that such harmonisation could lead to the adoption of some of the more restrictive policies and practices currently applied across the Community. Whose approach will be followed: Britain's, France's, Germany's?

If governments are serious about retaining an efficient and fair system of asylum in the EC they need to consult with the non-governmental agencies concerned with the protection of human rights and refugees before they finalise any arrangements. At the moment there are no signs of this happening.

### Triumph of hope

■ One needs only glance at the Whitehall record of businessmen like Lord Rayner, Young and Sterling to wonder whether there's much point in the UK government hiring yet another no-nonsense executive to put a bomb under officialdom. It didn't work before: why should it now?

Nevertheless Sir James Blyth looks as good a choice as any to chair the panel of outside advisers supposed to drive through the Citizen's Charter reforms. Currently chief executive of Boots, he has been in the inside (as the defence minister's super-salesman) as well as on the outside in a career which has ranged from M&S and Marks & Spencer to Lucas and Plessey.

Forceful and pungent, Blyth is the sort of bloody-minded Scot who would rather resign than work under an autocrat like Sir John Clark, the former chairman of Plessey. Top civil servants may need to manoeuvre even more cannily than usual.

He is a great talker and a natural salesman who genuinely believes in his latest product. Watching what is happening in Germany, he is convinced that "it is a direction in which the government has to be heading in this century".

Shareholders in Boots may be less convinced. The Ward White acquisition is proving nowhere near as "fantastic" as Sir James first thought. So although he will only be spending one or two days a month on his new venture, there will be those who'll think the time could be better spent minding Boots's store.

### Freudian slip?

■ Picture the scene. Shakespeare's *Midsummer Night's Dream* is about to begin at the Open Air Theatre in London's Regent's Park when there's commotion in the audience.

## OBSERVER

Neil Kinnock's party have been discovered sitting on the left, when they should be on the right. They swap places.

Is this still another subconscious reflection of the Labour Party's policy review?

### Core job

■ Albert Fisher, the international fresh food distributor, has appointed a new chief executive of its North American operations - Lenny Pipkin.

Presumably, he will be based in the Big Apple?

### Safe landing

■ The fallout from a US Atlas rocket explosion three months ago has finally settled in Japan with the appointment of a new chairman of the NHK broadcasting corporation, the Japanese equivalent of the BBC. Masamitsu Ito, a 71-year-old former supreme court judge who is an auditor for NHK's executive board, seems a safe choice to replace Keiji Shima who had ambitious plans to internationalise the state broadcasting system. He was forced to resign, however, after admitting he lied when testifying to the Japanese parliament about his whereabouts on April 12, when the exploding rocket destroyed an NHK broadcasting satellite.

His testimony was that he was in New Jersey, keeping an eye on developments from the office of the General Electric subsidiary which built the satellite. But he later confessed he was in a hotel in Los Angeles.

Although Shima has not said precisely what he was doing at the hotel, Japan's tabloid newspapers have had little trouble making a scandal out of the affair. What, after all, do Japanese businessmen do secretly in hotels?



Trust Bank, which has been owned by the government since it collapsed in 1985. The government rejected the proposal because Li wanted the colony's Exchange Fund, acting through the OTB, to pick up all the risk.

In response he has criticised Jacobs's qualifications, and accused the government of not consulting "anyone" about the liquidation - which presumably means he feels his offer was not given enough attention. As his bank records all telephone conversations he added, he can prove how badly he has been treated.

### Hat trick

■ Judging which hat can be properly worn when seems to be a headache for Hong Kong's business community. The latest case in point is the BCCI debacle's effect on David K.P. Li, who besides being chief executive of his family's Bank of East Asia, is a financial community representative on the colony's Legislative Council.

In his council headgear he has been legitimately bemoaning the HK government's handling of BCCI, indulging in his favourite political sport of baiting long-suffering financial secretary Sir Piers Jacob, who retires next month.

But he has gone farther by keeping his council hat more on than off when complaining about the rejection of his bank's offer to buy BCCI's Hong Kong offshoot, now moving into liquidation.

He offered a 50-50 joint venture with the local Overseas

### Summer copy

■ Holiday reading plans of some of Germany's movers and shakers are revealing. Birgit Breuer, head of the Treuhand, and Hans-Olaf Henkel of IBM Germany, are relaxing with a bit of tyranny. Both put Alan Bullock's *Hiller and Stalin: Parallel Lives* at the top of their reading list.

Hermann Buddenbogen of BP's German arm and Helmut Mandl of Nestle are among five to make their first choice a historical survey by Joachim Fest of the decline of communism entitled "die zerstörte Traum" (the broken dream).

But not everyone is being so highbrow. Professor Ralph Dahrendorf, a former director of the London School of Economics, prefers Frederick Forsyth's "doppelspiel", which will reach the UK bookstands in September entitled "the deceiver". More scratchings from the cold war floor, I fear.

### Dog's life

■ A Texan, who rushed his dog to a surgery after it was

## Breakdown of the old frontiers

France's state-owned companies are behaving more like private ones, writes William Dawkins

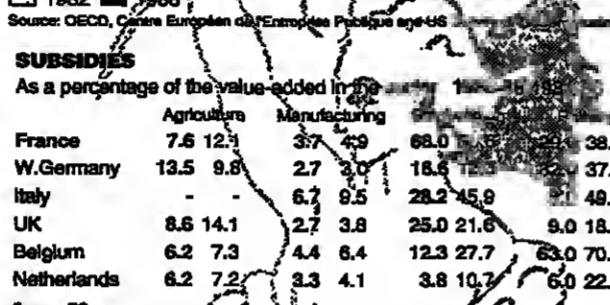
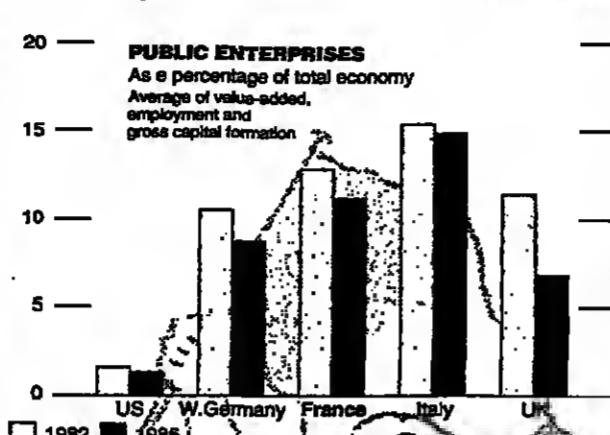
The European Commission, seen in France as suspicious about everything that moves in the state sector, is taking an informal look at the debts of Crédit Lyonnais's accord with Usinor-Sacilor to check that it does not amount to a covert state subsidy. It is also examining a FF10bn dolllar of fresh state capital for Air France, announced in February and confirmed last week.

The current uncertainty stems from a change in the French government's approach to state-owned companies earlier this year. Previously, policy was set by President François Mitterrand's 1988 election pledge that he would countenance neither privatisations nor nationalisations, known as the "ni...ni" (neither...nor) policy. But in April that dogma was significantly loosened with a government decree allowing private companies to take minority stakes in state-owned ones. The move was seen as recognition of the fact that state industry badly needed more flexibility to raise capital while it was simultaneously recovering from an unprecedented international takeover spree and entering the economic slowdown.

In fact, the complex organisation that constitutes France's state sector has been in constant evolution since the first wave of nationalisations in the 1930s – latterly including an aggressive series by the Socialist government elected in 1981 and an ambitious privatisation programme launched by the 1986-88 conservative government of Mr Jacques Chirac.

Even after the Crédit Lyonnais privatisations, France's state sector today represents 12 per cent of the economy, according to the OECD – a figure only beaten by Italy, Greece and Portugal among France's EC partners.

With a Socialist prime minister back in office in 1988, Mr Mitterrand reckoned it was in industry's best interests to call a halt, rather than reverse Mr Chirac's privatisations. Stability was the purpose of the "ni...ni" policy, but it soon became a straitjacket, limiting state-owned companies' access to both government and pri-



vate sector capital.

In France, there is a way round everything. So it was that the state sector soon found ways to raise cash by issuing exotic securities having the qualities of both debt and equity, a technique pioneered by the chemicals group Rhône-Poulenc; by publicly floating subsidiaries, as in the case of Peugeot, the aluminium and packaging group, or by buying shares in each other as in the case of Crédit Lyonnais and several other pairings.

In practice, the boundaries between the public and private sectors have been allowed to shift according to the companies' business interests. Renault's sale of a 20 per cent stake to Volvo, the private Swedish car maker, last year can be seen as a partial privatisation, while Air France's take-over of UTA and Air Inter, its main French rivals, can equally be seen as partial nationalisation.

If France's state companies really are being encouraged to

commonly argue that the debate over just which way France's confused public sector is evolving is merely academic. In practice, they say, the government lets them behave like any private company in a competitive market – in exchange for allowing them freedom of decision, it expects them to pay dividends comparable to those in the private sector.

That argument has been accepted no less than four times in the past year by Britain's ultra-sceptical Monopolies and Mergers Commission. It gave clearance to proposed UK takeovers and mergers by Crédit Lyonnais, the Elf Aquitaine state-controlled oil group and Thomson CSF in defence electronics, explicitly rejecting the UK government's fears that the deals would be amounted to backdoor nationalisations by France. "Nobody is looking over my shoulder," concluded Mr Lolk Le Floch-Prigent, Elf's chairman.

If France's state companies really are being encouraged to

## LETTERS

### Reshaping BT: the interests of the user and the example set by Japan

From Mr D G Harrington.

Sir. The argument so well encapsulated by your leader (July 16) on how best to reshape BT has thus far focused exclusively on the actions of the key players (BT, OfTEL and the government) and on the shareholder interest. Those who use telecommunications services, however, have not been accorded either weight or space in the public debate.

The business user, whether a customer of BT or of Mercury, regards with alarm the current future over access fees to BT's local network. Not because he shares the view of BT's public relations department that OfTEL has reneged on a deal or has made an error of judgment (far from it), but because the smoke-screen of reference to the Monopolies and Mergers Commission (and the consequent challenge to the government's privatisation timetable), is only of short-term interest.

When the smoke has cleared, there will be a very serious risk that OfTEL's overriding objective – to introduce competition to BT's *de facto* monopoly of access lines into business and domestic premises – will somehow have persisted during the skirmish.

Getting the competitive structure of the market right, as a pre-requisite of privatisation, is undoubtedly the right policy. But a successful marketplace, working to the benefit of the user community, cannot be achieved with a hopelessly fragmented BT, and therefore we must be prepared to accept a future still dominated by a national carrier with 80 per cent or so of the market.

We must be careful, in the coming battle, to see that OfTEL is not "inadvertently" crippled in the cross-fire, and we must

seek a way of breaking BT's local monopoly which will offer the user a multiple choice, with access to competing networks on equal terms.

D G Harrington,  
Telecommunications Managers  
Association,  
40 Chatsworth Parade,  
Petts Wood,  
Orpington, Kent

From Mr J M Harper.

Sir. Your leader of July 16 was correct. The structure of BT needs to be reconsidered.

But it will be important to preserve a central core massive enough to compete in the big league of international carriers such as AT&T and NTT.

The distribution cables and ducts which connect customers to the system lie at the heart of the problem. BT's competitors have the choice of building their own, which is extremely expensive, or depending on BT, as for the most part they have to. The high cost to BT of providing and operating its present distribution plant, and the high charges it makes in consequence to its competitors for using it, are the root of the current difficulties.

The BT plant has fundamentally

limitations as a vehicle for the high bit rate IT and TV services of the future. Faced with a similar problem in Japan, NTT is planning a revolution. The company I now work for (I was the last public sector managing director of BT's inland operations), NSC, is deeply involved. Fibre cables are to be laid to the great majority of businesses and homes in Japan. Exchange developments are keeping step. There is no similar programme in Britain.

In The Third Way published last December I suggested a new company should be set up to create and run a high-tech distribution network as a common resource for BT and all its competitors – Mercury, the cable TV and PCN companies and the latest generation of carrier entrants.

The arrangement for co-operation in PCN infrastructure between Mercury and Unitel is a welcome first step. If the full idea were taken up, the present problems of the regime would be resolved.

J M Harper,  
11 Lullingstone Close,  
Seaford,  
East Sussex

### BA productivity then and now

From Mr Martin O'Regan.

Sir. I have read with much interest the plans of British Airways ("BA in talks with unions on plans to restructure", July 16) to reduce its business to a core level as an airline operator.

Nearly 10 years ago I published my letter drawing attention to the productivity level at BA, which under mostly the same management as today, employed about 250 staff for each operational aircraft. The airline with which I was then

associated employed 50 staff per aircraft. The letter drew a response from both Lord King and Sir Colin Marshall. I am pleased that after a decade the same management is prepared to re-organise its business to that core airline work.

However, from available information the number of staff per aircraft is still well in excess of 200.

Martin O'Regan,  
Business Aides Associates,  
BP 252,  
MC 98005 Monaco

est and inflation rates should fall; world tension may be defused.

The rationale for the financial community is that risk of "write-offs" would also be lessened.

James B Thring,  
Rowfant,  
Sussex

### False view of long-term unemployed

From Mr Peter Robinson.

Sir. I strongly disagree with much of the leader on unemployment in Europe (July 19). Much of it focused on the long term unemployed and repeated the frequently heard assertion that they tend to lose their skills and motivation when out of work.

How do you square this with the fall in Britain in the proportion of those out of work and claiming benefit for more than one year, from 43 per cent in July 1987 to 38 per cent in April 1990? This was a period of strong employment growth when the overall unemployment rate fell from 11 to 8 per cent.

If we look at the Labour Force Survey for a more accurate measure of unemployment, this also shows a sharp fall in the proportion of job-seekers unemployed for more than one year, from 48 per cent in spring 1984 to 34 per cent in spring 1990.

Does this data not suggest that when the economy is buoyant, the long term unemployed are more able to take advantage of job opportunities? Several labour market policies were operating at the same time to reduce unemployment, but their existence does not significantly alter the argument; in practice they impacted as much on short as long term unemployed.

What the long term unemployed, and all the jobless, need are not schemes where participation is enforced through threatened loss of benefit, but strong and sustained output and employment growth which is not put at risk by accelerating inflation and a rising current account deficit. The solution lies primarily in a move towards a more co-ordinated system of pay bargaining in Britain, which would allow inflation to be controlled by means other than recession, bankruptcy and mass unemployment.

Peter Robinson,  
Campaign for Work,  
Tottenham Town Hall,  
Town Hall Approach Road,  
London N13 4RX

Fax service  
LETTERS may be based on D1-873 8888.  
They should be clearly typed and not  
handwritten. Please set two margins for  
first resolution.

For your free sample copy return to Carolyn McNamara  
PEN Marketing, Financial Times Newsletters,  
Tower House, Southampton Street,  
London WC2E 7HA, England.  
Tel: 071-240 9391 Fax: 071-240 7946  
Telex: 296926 BUSINF G

behave like private ones, that invites the question of why the Paris government does not pursue this logic further and privatise the rest of them.

Some of the more independent-minded state company chairmen, such as Mr Jean Peyrelède, chairman of Union des Assurances de Paris, the insurer, believe the recent relaxation of the "ni...ni" dogma might be a step in that direction. If so, few of his state sector colleagues would shed a tear. Privately, executives at Renault, Peugeot and Usinor-Sacilor, admit they would love to be privatised, to increase their access to private capital markets and to improve their image in Brussels.

Certainly, the pressure in that direction from the European Commission is unlikely to let up. Sir Leon Brittan, the competition commissioner, has promised an unrelenting inspection of state subsidies suspected of distorting competition – frequently blamed on France as his target. The well-publicised row over Renault has been his biggest case, but other receivers of subsidies to have come under investigation recently include Renault, Bull, the computer maker, and Thomson the electronics group.

Sir Leon argues that he has nothing against the state sector as such and French officials add that no part of the Treaty of Rome – the EC's constitution – forbids government industrial ownership. The Commission says its "rule of thumb" is that state subsidies are acceptable so long as a private shareholder would have made the same decision.

Even so, France's government shareholder and companies in its portfolio are surely conscious that they can hardly make a big financing decision without being haled over the coals in Brussels. Government officials argue that ultimately the state should provide a more stable and longer-term shareholder for its companies than the private sector could – a policy which logically invites further clashes with Sir Leon.

But for the time being, Mr Mitterrand is holding to his "ni...ni" dogma. This condemns his government to carry on with its middle-through-industrial policy, which means giving state industry maximum access to finance within the loose and confusing framework of existing rules.

The next chance for a big change could be after the next general election in 1993. If the conservatives win, as the opinion polls say they might, they can be expected to return to their zeal for privatisation with a vengeance.

The Conservative Charter

## Joe Rogaly Election charter



The Tory "Citizen's Charter" announced yesterday constitutes a long overdue attempt to improve the relationship between consumers and producers in the public services.

Consumers are to be better-informed; producers will be urged to be more courteous. Targets will be set every where; results and league tables will be publicised. Three additions are tacked on. The post office monopoly of letters services will be broken, and London's bus services and so on, will be privatised. That's it.

The charter has nothing to say about true citizenship, which the prime minister appears not to comprehend. There is not a line in it about changing the nature of our polity to give British subjects

– there are no citizens as commonly understood – the right of free access to government information. It is the agents of government – schools, hospital authorities, the police – who alone are to be made to come clean, and then principally with facts that will assist in the compilation of performance indicators and the publication of complaints procedures. There is no offer of the protection of a general bill of rights, let alone an extension of local democracy as expressed through the ballot box.

As a trial balloon for the Conservative election manifesto it therefore amounts to no more, and in some areas considerably less, than is already promised by the Labour party and the Liberal Democrats. The government is, however, ahead by miles in one area. What it has produced is called a "white paper" – that is, an official document. It is not. It is a Conservative party colour brochure churned out at the taxpayer's expense. Two months ago the Major administration seemed to be in the hands of fumbling amateurs. No longer. This is the work of shameless professionals. It deserves a blue ribbon for check.

The Conservative Charter

hard-pressed to match the Tories' proposal of a guarantee by the National Health Service that no patient will wait longer than two years for treatment due, since the remedy – redress by a private practitioner at public expense – is attractive to Conservative thinking alone. One to the government. Overall, the opinion polls have become less adverse to his party and extremely encouraging for him personally. Leave aside the threatening dark cloud of the BCCI banking scandal. Forget, for just a moment, how sticky the trough out to be. Ignore the stubborn refusal of Labour to fall 40 per cent in the opinion polls. Think sunny uplands. Everything then becomes possible. See? The prime minister is clearly on a roll. His charter, with its heavy accompaniment of warnings that this is only the start of a 10-year programme, should therefore improve the Tories' already growing chances of winning the election. That, after all, is its primary purpose.

while a great many of its public sector proposals amount to an exposition of existing practice, with ribbons and tassels added. (The frill for which all else may be forgiven is a requirement that all who deal with the public face will be obliged to wear name tags, while telephone voices will no longer be anonymous.) And everywhere so strong is the chorus, "this is what we ever do", that it is obvious that nine-tenths of Mr Major's charter has been composed by the familiar Whitehall chon, singing its closest refrain. There is another flaw: to nobody's surprise, the Treasury has purged the document of anything that might cost extra money.

A modest thing then, as Mr Major should but will not acknowledge, but at least one tenth must own. That sees in proportion what political fallout can the prime minister expect from his colourful white paper? It comes at a time when he is visibly growing in self-confidence, and benefiting from the public perception that that is what he is doing. He has found that he can strut the world stage without falling on his face, indeed that he is an able and competent politician who is able to master a brief and parley with Massis Kond, Mitterrand, Gorbachev, Bush and the other members of the Group of Seven-plus-one.

In consequence there are plenty of acolytes to acclaim him a world statesman. There is more than just that working in his favour. The opinion polls have become less adverse to his party and extremely encouraging for him personally. Leave aside the threatening dark cloud of the BCCI banking scandal. Forget, for just a moment, how sticky the trough out to be. Ignore the stubborn refusal of Labour to fall 40 per cent in the opinion polls. Think sunny uplands. Everything then becomes possible. See? The prime minister is clearly on a roll. His charter, with its heavy accompaniment of warnings that this is only the start of a 10-year programme, should therefore improve the Tories' already growing chances of winning the election. That, after all, is its primary purpose.

## PHARMACEUTICAL BUSINESS NEWS

The executive newsletter for the pharmaceutical industry

### The Financial Times twice-monthly International Review of the Pharmaceutical Industry

Pharmaceutical Business News is without doubt the essential digest that keeps decision-makers briefed on the vital moves that shape the pharmaceutical industry:

- global reporting and analysis of key news from the world's pharmaceutical markets, acquisitions, mergers, joint ventures and marketing/licensing collaborations
- insight into the latest developments in pharmaceutical companies and pipelines
- latest company news and financial performance
- highly influential, in-depth viewpoint and Market Profile features that provide inside information of drug companies, both small and large
- City Talk: the page that even the City cannot wait to read, gives an informed round-up on what is moving drug company stock prices worldwide

Please send me a free sample copy of  
Pharmaceutical Business News  
(normally available on subscription only).

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Country \_\_\_\_\_ Tel \_\_\_\_\_

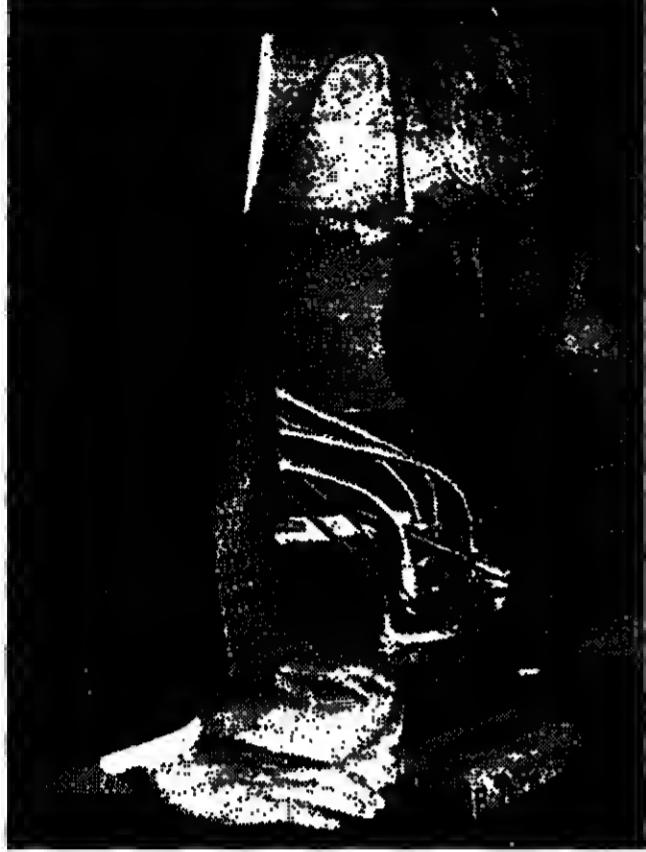
FT/7/91

Tuesday July 23 1991

Nomura Securities chairman accepts responsibility for series of scandals

## Japanese securities house chiefs quit

By Robert Thomson in Tokyo



Bowing out: Setsuya Tabuchi announces his resignation

THE chairman and vice-chairman of Nomura Securities, Japan's largest securities house, resigned yesterday to take responsibility for a series of scandals, including embarrassing links to a lawyer recently arrested for his role in a stock-cornering scam.

Mr Setsuya Tabuchi, the Nomura chairman and one of the most influential financial figures in post-war Japan, said his resignation would show that the company genuinely regretted its improper behaviour, which also included compensating favoured clients for trading losses and lending to a gangster group.

He announced the resignation of the vice-chairman, Mr Yoshitaka Tabuchi, who has already stepped down as president, and said they would both become "advisers" to Nomura. The two are not related. Setsuya is generally known as "Big Tabuchi", while Yoshitaka is "Little Tabuchi".

In announcing the surprise resignations, Mr Setsuya Tabuchi said he wanted "to apologise deeply to world investors" for the series of scandals that have shaken the Tokyo stock market and led to the disciplining of Japan's Big Four brokers - Nomura, Daiwa, Nikko and Yamaichi.

It is believed that Mr Tabuchi would have retained the

chairmanship had he not been linked to a lawyer arrested earlier this month for allegedly receiving money from his client and from a rival company which had cornered the client's shares and was negotiating a buy-back agreement.

There is no suggestion that Mr Tabuchi was involved in criminal activity, but he and Nomura were embarrassed when he was identified as having written a letter of introduction for Mr Hirotomo Takei, who cornered the stock and was recently indicted for massive tax evasion, to Mr Tochimori Namiki, the arrested lawyer.

In explaining the background to his resignation, Mr Tabuchi said Japanese companies generally had not played by internationally-accepted rules during the period of financial excess in the late 1980s. "The job of cleaning the house will be left to succeeding generations."

He called for the establishment of a body similar to the US Securities and Exchange Commission (SEC) to oversee the industry, and said the financial ministry's informal guidance of securities houses should be replaced by clear regulations.

Several committees in the ministry are considering reforms, and while senior offi-

cials have said they are not in favour of an SEC-like watchdog, they have conceded that the system of "administrative guidance" needs to be replaced by transparent guidelines.

Mr Yukio Aida, a former Nomura vice-president, has become honorary chairman, but the company said the two posts vacated yesterday would remain vacant indefinitely.

As "advisers", the two Tabuchs will lose their voting rights, but retain links to the company's senior management.

Meanwhile, the compensation scandal has widened to include medium and smaller securities houses, about 15 of which are reported to have reimbursed clients for trading losses.

Several houses, including the fifth largest, New Japan Securities, said yesterday they were conducting internal investigations, while the finance ministry is also examining the claims.

The Big Four houses have admitted compensating 229 still unidentified clients for a loss of Y126.5bn (£26m) in losses between October 1987 and March 1990, and finance ministry inspectors have searched the companies for evidence that compensation continued beyond March last year.

## Genscher's balancing act between a common Europe and the EC 'Need for closer CSCE integration'

By David Marsh and Quentin Peel in Bonn

PRIDE of place in the office of Mr Hans-Dietrich Genscher, Germany's foreign minister, goes to the solid brass bell with which he opened last month's inaugural meeting of the Council of Foreign Ministers of the Conference on Security and Co-operation in Europe (CSCE).

Pride of place also in his perception of the new realities in Europe goes to the same organisation. This weekend, he spelt out a vision of future European co-operation involving a European Security Council - to match the UN Security Council - and European "green berets" as a counterpart to United Nations blue berets.

"For every European problem that exists, there should be a European solution," he said in an interview in his Rhine-side office in Bonn.

Mr Genscher, the arch survivor of German politics and the ultimate diplomatic wheeler-dealer of Europe, with 17 years as foreign minister

behind him, is coming to terms with the realities of a new Europe without block to block confrontation.

It requires a delicate balancing act between his vision of a common European home from the Atlantic to the Urals, shared among others with President Mikhail Gorbachev, and his simultaneous commitment to ever greater integration in the EC.

In the past, Mr Genscher has irritated the Bundesbank by urging speedy progress towards European Monetary Union (emu). But a combination of factors - including the strains affecting the D-Mark as a result of German unification - now appears to have made him more cautious. Expressing unusually strong support for the Bundesbank's chairman on emu, he said: "The Bundesbank wants what I want - that we should not have less stability and that we should have an independent central bank." However, given the scepticism about the principle

of central bank independence in other countries, he recognises that these conditions will be difficult to fulfil.

Commenting on the financial strains in Germany following unification, Mr Genscher says he is "worried" about rising budget deficits. Significantly, he gives full backing to the choice of Mr Helmut Schlesinger to take over at the top of the central bank next month. Mr Schlesinger is a sceptic on emu, but is regarded by Mr Genscher as the best person to defend Bundesbank commitment to monetary stability.

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

Quite what that means for the integration process in the EC leaves less clear. He is adamant that the 12 member states must reach conclusions in their inter-governmental conferences on political and monetary union by the end of the year. Simultaneously, he appears to be hedging his bets by committing on the extent of that integration.

In the past, Mr Genscher has irritated the Bundesbank by urging speedy progress towards European Monetary Union (emu). But a combination of factors - including the strains affecting the D-Mark as a result of German unification - now appears to have made him more cautious. Expressing unusually strong support for the Bundesbank's chairman on emu, he said: "The Bundesbank wants what I want - that we should not have less stability and that we should have an independent central bank." However, given the scepticism about the principle

of central bank independence in other countries, he recognises that these conditions will be difficult to fulfil.

Commenting on the financial strains in Germany following unification, Mr Genscher says he is "worried" about rising budget deficits. Significantly, he gives full backing to the choice of Mr Helmut Schlesinger to take over at the top of the central bank next month. Mr Schlesinger is a sceptic on emu, but is regarded by Mr Genscher as the best person to defend Bundesbank commitment to monetary stability.

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes that Mr Gorbachev has good reasons to be satisfied with last week's meeting with G-7 leaders in London. "The fact that he took part was a milestone in itself. The result is that a process has started whose logical ending would be the Soviet Union's membership of the international financial organisations and its full integration in the world economy."

On the Soviet Union, Mr Genscher believes

## PHARMACEUTICALS

## SECTION III

Tuesday July 23 1991

**Economic recession has not touched the industry. Yet while sales and profits are growing fast, soaring R&D costs and government moves to hold down health spending are forcing companies to seek partners for merger, acquisition or strategic alliance, writes Clive Cookson.**

## Successful but cautious

**EXECUTIVES** In the pharmaceutical industry are asking themselves with increasing nervousness how much longer the good times can last. For how long can the industry go on pushing up profits by 15 per cent a year, regardless of the external economic cycle?

Old-timers point out that its Cassandra were predicting a gloomy future 10 years ago, when drug development times were increasing rapidly, new regulations threatened to strangle innovation and some scientists were saying that it would soon be virtually impossible to discover useful new drugs because all the best ones had already been found.

Yet the 1980s turned out to be a period of unprecedented prosperity for large drug companies, almost regardless of their product line. Many innovative new products were launched, and even the relatively poor performers have been highly profitable compared with their counterparts in science-based industries. For example, most of the leading US computer manufacturers of a decade ago

- Burroughs, Sperry, Honeywell, NCR and Control Data - have fared worse than the less successful US drug companies



Research in Wellcome's diagnostics division focuses on kits to detect viruses and bacteria, including HIV, which causes Aids, and salmonella, a cause of food poisoning

such as Pfizer, Sterling Drug and Eli Lilly. There is a striking contrast, then, between the current success of the \$180bn-a-year world pharmaceutical industry and its fears for the future, which are driving companies into a variety of mergers and alliances. The concerns include:

- Rapidly escalating research and development costs. According to the US Pharmaceutical Manufacturers Association, the cost of developing a new drug has risen from an average \$125m in 1987 to \$230m in 1990.
- Growing pressure to cut the price of medicines. Drugs are a tempting target for governments wishing to restrain soaring health-care costs, although they represent only about 10 per cent of health spending and can actually save money if used sensibly.
- A switch from branded prescription drugs, the source of the industry's prosperity, to over-the-counter medicines - are driven by the feeling that only large global companies can spend hundreds of millions of pounds a year on R&D to maintain a flow of new drugs innovative enough to make large profits in the price-conscious pharmaceutical markets of the 1990s. And only global

marketing operations can push new drugs on to all the world's main markets quickly enough to make a good return before their patents run out.

"We tend to think that our industry is dominated by large global companies," Robert Cawthorn, chairman of Rhône-Poulenc Rorer, told this year's Financial Times World Pharmaceuticals Conference. "Nothing could be further from the truth. There are literally

hundreds of pharmaceutical companies in the world, and the regional companies currently dominate."

The pharmaceutical industry is certainly far less concentrated than other manufacturing sectors such as aerospace, cars, computers and telecommunications equipment. The largest drug company, Merck of the US, has only just over 4 per cent of the world market; and three more, Bristol-Myers

Squibb of the US and Glaxo and SmithKline Beecham of the UK, have over 3 per cent.

According to Mr Cawthorn, a 2 per cent share of the world market gives a pharmaceutical company sufficient "critical mass to compete effectively" on R&D and marketing. Twelve companies now have critical mass by that definition.

Drug companies in the second tier with 1½ to 2 per cent of the world market, including ICI and Wellcome in the UK, maintain that they are large enough today to compete with the giants on R&D and marketing. But concern about their future competitiveness as solo players is prompting them to look actively for partners.

Over-the-counter and generic pharmaceuticals are even more fragmented than the mainstream prescription drugs industry. Mr Olivier Telirinck of McKinsey & Company, who has studied the European OTC market, says that of more than 15,000 registered brands only 10 can be bought in seven or more countries. And even the leading brands suffer from widely divergent national regulations; for example, anyone can buy the Vicks-Sinex cold remedy in British supermarkets, while in Germany it is sold only in pharmacies, and in France it is available only on prescription.

The market for OTC drugs, also known as self-medication, is worth an estimated \$8bn a year in Europe and \$25bn worldwide. It, too, is consolidating rapidly. Recent OTC deals include Roche's purchase of Nicholas Labs from Sara Lee, and a joint venture between Merck and Johnson & Johnson.

Most experts predict that OTC sales will grow faster than the prescription drug market over the next decade, and some enthusiasts go so far as to predict that the two sectors could be similar in size early in the next century.

Some pharmaceutical companies, such as Glaxo and ICI, have a corporate policy to avoid the OTC market. They recognise that it requires skills in selling directly to consumers and is very different from the medically-oriented marketing of prescription drugs. Another crucial difference is that many leading OTC brands have been on the market for

several decades, while the money-spinning prescription brands are much more modern.

But many other drug companies have a stronger tradition of consumer selling, including SmithKline Beecham, Bayer, Warner-Lambert and American Home Products, and they are competing to increase OTC sales. Some best-selling drugs, such as SmithKline Beecham's ulcer treatment Tagamet, have a good enough safety profile to offer the prospect of a switch from prescription-only to OTC as they lose patent protection.

As the European and American drug companies manoeuvre for strategic advantage, they are looking anxiously over the eastern horizon. A dozen Japanese pharmaceutical companies are preparing to break out of their \$50bn-a-year home market and take on the western companies in the global market. They are beginning to set up research and manufacturing operations outside Japan. Examples are Yamanouchi's research centre in Oxford, and manufacturing plant in Ireland, and Eisai's research institutes in London and Boston.

At present, drugs discovered in Japan are generally sold overseas by foreign licensees. But, as part of their globalisation strategies, Japanese companies plan in due course to establish their own marketing operations in other countries.

Today the Japanese have 45 per cent of their own pharmaceutical market and 2 per cent of the European and American markets. Given the long development times of the pharmaceutical industry, it will be well into the next century before Japan's share of the western market could reach 10 per cent - and some observers doubt whether it ever will.

The Japanese are looking in their patient, polite way for overseas partners. For example, David Friend, chief executive of ICI Pharmaceuticals, says Japanese drug companies have approached his company about an international alliance, "but we've always said that we are not really interested". He believes that the Japanese would gain much more from such a partnership than ICI. "They would be using us as a way of entering the world market."

### IN THIS SURVEY

**The first year of a company that can claim to be a world player**

□ Rhône-Poulenc's acquisition of 68 per cent of Rorer has produced a pharmaceuticals operation which can boast sales that top \$3.6bn and an R&D budget of \$440m. It is ranked in the top three in Europe, and has vastly improved its presence in the US, the world's largest market. As RPR prepares to celebrate its first anniversary, the marriage is analysed on Page 5

### ALSO

□ Restructuring the industry: the latest joint ventures could become a model for the rest of the industry ..... 2

□ Generic drugs: what happens when the patent runs out? ..... 2

□ R&D: British-owned groups believe that, by better planning and co-ordination, they could reduce clinical development times ..... 3

□ Marketing: both the prescription and OTC sides of the industry are concerned about an EC draft directive ..... 4

□ Regulation: companies are having to justify the cost-effectiveness of new drugs, showing that they reduce the time patients spend in hospital ..... 4

□ Distribution: the wholesalers set the new agenda ..... 5

□ Imagery: the public seems to like the industry, even though it knows relatively little about it ..... 6

□ Manufacturing: the industry is poised for significant change ..... 6

## IT TAKES MILLIONS OF WORDS TO WRITE ONE PRESCRIPTION



But the documentation necessary to gain approval for a new medicine is only one sign of the enormous intellectual and financial effort involved.

In fact the latest figures show that as well as the dedication of thousands of scientists, it takes, on average, ten years and costs £150 million to bring one pharmaceutical compound to the market.

Glaxo has over 6000 highly qualified people in Research and Development worldwide. New research complexes were recently opened in Italy and the United States and

another is nearing completion in Japan - part of the programme to expand R&D internationally.

Our expenditure on R&D has grown 16 times in the last ten years and now approaches £500 million a year.

The enormous benefit this long term investment brings to individual patients and to national economies is hard to quantify. However, the effective use of prescription medicines plays a vital part in keeping people out of hospital and operating theatres, reducing pressures on both healthcare

services and budgets alike.

But the massive investment programmes necessary to continue the research and development of new medicines can only flourish in the right climate.

A climate that rewards and protects the intellectual efforts involved.

A climate that recognises the need for progress.

And that's a prescription that will help us all.

# Glaxo

WORLD LEADERS IN PHARMACEUTICALS

## PHARMACEUTICALS 2

## Restructuring the industry

## Alliances offer a model

ESCALATING costs, caused mainly by the need for truly innovative research, see the world pharmaceutical industry facing unprecedented change. However, despite growing research-and-development budgets - R&D expenditures have risen 15 per cent per annum since 1985 - there has been a marked drop in research productivity. The number of new drug applications submitted has actually decreased by about 10 per cent every year.

According to the US Pharmaceutical Manufacturers Association, the cost of developing a new drug has risen dramatically - from an average \$125m in 1987, to \$230m in 1990.

The industry which was once considered a stable one, with the same 20 or 30 companies remaining market leaders for the past 25 years, took a giant shake-up following the events of the period 1988 to 1990.

One leading US drug industry analyst called it merger mania, while another described it, more conservatively, as a consolidation of the industry. No fewer than 15 large mergers were reported or completed during that period, leaving the stock market asking: who or what will be next?

The merger process was on a global scale, though most of the deals were in the US, or involved US companies, and

are helping to reshape the US pharmaceuticals industry by reducing the number of independent manufacturers and bringing foreign ownership. Those companies that remain are looking for a friendly partner, and are taking moves to install takeover defences and to initiate a plan of survival.

In sharp contrast, the first year of the new decade has been a year to digest," says Robin Gilbert, analyst at James Capel. "The obvious companies got involved in mergers, but now the industry is sitting back and digesting the outcome."

In 1990, only two acquisitions were over \$500m: Rhône-Poulenc's \$3.3bn fusion with Rorer, and Roche's \$2.1bn acquisition of Genentech. Two of the biggest deals of 1990 were not acquisitions at all, but joint ventures: Sanofi's joint venture with Sterling Drug, and Du Pont's joint venture with Merck.

The Sanofi-Sterling alliance provides an innovative solution to both companies' competitive and financial pres-

ures. An important aspect of it is that it does not involve any exchange of funds between the parties or the goodwill depreciation that would result in a dilution of per-share earnings, the companies say. This is said to have been made possible by the comparable sizes of the two companies and their geographical and research complementarity.

The alliance will create a new awareness of the Sanofi name in the US, and bring considerable R&D synergies together," said Mark Tracey, analyst at Paribas Capital. "The deal could be the forerunner of Sanofi taking eventual control of Sterling by 1995," he added.

It seeks to preserve each partner's cultural identity and financial capacity. Basic research will remain independent, with the alliance having exclusive rights to the two companies' pipelines. Certain development costs will be shared. The production and marketing of ethical drugs will be conducted jointly under the name Sanofi Winthrop, for which two territories are cre-

ated. One of these ventures, to be 51 per cent owned by Sanofi, will be responsible for Europe, Africa and most of mainland Asia. The other, 51 per cent owned by Sterling, will cover North and South America and most of south-east Asia.

Each region will be run by strategic management committees, co-chaired by management from both companies. The planned structures will allow each company to maintain earnings derived from existing operations, while all synergies and future operations will be shared.

"It will work and it will work better than a merger," was the joint message expressed by two very enthusiastic chairmen: Sanofi's Jean-François Deheq and Sterling Drug's Louis Mattis, in Paris recently.

Commenting publicly for the first time on the alliance, both said they were even more convinced that their vision to form an alliance was the right one. This alliance "makes sense, it's smart to do business this way," Mr Mattis said. It was a pioneering venture that would

show the drug industry a new way to do things.

Mr Deheq said: "The alliance was made possible by the coming together of two philosophies and a determination to make it a success."

The second joint venture between Du Pont and Merck & Co was more surprising at first glance, because the two partners could not be more different. Du Pont had spent heavily on R&D but was not getting a just return, due to its limited development skills to turn projects into products.

Meanwhile, Merck was facing a different issue, managing its large R&D operation. It also faced a challenge to its research supremacy from the new Bristol-Myers Squibb (BMS) operation BMS could now spend at Merck's R&D expenditure level.

Still partly a product swap arrangement, Du Pont Merck Pharmaceuticals gives Du Pont the assured products and development capability it needs to finance and create an international sales operation, which in turn would subsidise a larger

| The leading pharmaceutical companies |              |                 |          |
|--------------------------------------|--------------|-----------------|----------|
|                                      | Home country | Sales 1990 (£m) | Growth % |
| Merck                                | US           | 3,610           | 9.4      |
| B-Merck Squibb                       | US           | 3,380           | 8.0      |
| Globo                                | UK           | 2,970           | 9.2      |
| SmithKline Beecham                   | UK           | 2,610           | 0.0      |
| Hoechst                              | Germany      | 2,600           | 18.2     |
| Ciba-Geigy                           | Switzerland  | 2,580           | 11.7     |
| J&J                                  | US           | 2,360           | 12.4     |
| AHP                                  | US           | 2,260           | 3.0      |
| Sandoz                               | Switzerland  | 2,250           | 8.7      |
| Eli Lilly                            | US           | 2,090           | 16.8     |
| Schering-Plough                      | US           | 1,490           | 6.4      |
| UK                                   | UK           | 1,390           | 8.6      |
| Marion M-Dow                         | US           | 1,370           | 3.0      |
| Upjohn                               | US           | 1,360           | 3.8      |
| Wellcome                             | UK           | 1,270           | 15.5     |

Source: Pharmaceutical Business News/Industry estimates

research programme. Merck more fundamentally important strategic alliances that have gone unnoticed.

These are joint ventures, licensing agreements and co-marketing deals, which are now becoming the norm rather than the exception with new production launches, said Martyn Postle, pharmaceutical consultant with KPMG Peat Marwick. They were usually negotiated on a country-by-country basis, he added.

Although they did not hit the

headlines, in the long term their impact was likely to be a cornerstone to growth and development.

What is the future shape of the industry? Sam Isaly, New York, said: "Early evidence shows that the few mega-mergers that have been completed have been a stunning success, and we anticipate further duplication. But there will be more of the Sanofi-Sterling deals."

In the UK, the question being asked is: what happens to ICI's pharmaceutical operation? There has already been much speculation, but until Lord Hanson makes a move the market can only guess.

A similar problem exists in the US, where Schering-Plough, Syntex, Warner-Lambert and Upjohn (everyone's favourite takeover candidate) are all vulnerable to predators seeking to enlarge their operations. Perhaps one or more of these will make a sizeable purchase themselves, or even a major strategic alliance.

The latest joint ventures are different, and give a fresh approach to current problems. If they succeed, they could become a model for the rest of the industry.

Alan Archer

Editor, FT newsletter  
Pharmaceutical Business News

The UK generics industry consists of eight substantial manufacturers - five of which made net losses last year. In addition, there are about 40 small generic companies (with sales below £10m a year).

However, the UK industry is now restructuring. There were two significant moves last year. Evans Medical and Thomas Kerfoot came together in the Medeva group. And the worldwide pharmaceutical merger of Rhône-Poulenc of France with Rorer of the US brought together their two UK generic subsidiaries, Berk and APS.

The effect of those two mergers will be to reduce the number of significant independent players in the UK generics market from eight to six. The other four are: CP Pharmaceuticals, part of the Risons group; H.N. Norton, acquired by Ixav of the US last year; Cox Pharmaceuticals, owned by Hoechst of Germany; and Genetics UK, part of the worldwide chain of generic companies owned by the Tabatznik family of South Africa.

Clive Cookson

## Generic drugs

## When the patent expires

"stop the loss of business at the 30 to 40 per cent level". ICI's generic atenolol, made at its Puerto Rico factory, will initially be priced just 15 per cent below branded Tenormin. But the price differential will almost certainly increase when cheaper generic competitors come in.

A drug which has been off-patent for several years may cost as little as one quarter as much in its generic form as in its original branded version.

One reason why generic drugs are relatively cheap is that their manufacturers do not have to bear the high research, development and marketing costs of the manufacturers of the original branded equivalents. Another is that generic manufacturing is a highly competitive business with low profit margins, while the low research-based pharmaceutical

industry is one of the most profitable of all manufacturing sectors.

Compared with the increasingly global research-based companies, the generic industry remains fragmented. Most generic drugs are still made by small, local companies, although a few research-based multinationals also own generic companies.

Not surprisingly, generic manufacturers have made most progress in countries where the price of branded drugs is highest. They have more than 25 per cent of the US market (though the American industry has been hit by a scandal involving irregularities in the Food and Drug Administration approvals process for generics).

In most of northern Europe, generics have at least 10 per cent (by value) of the pharmaceuticals market. In southern Europe, where governments hold down drug prices, their share is only 1 or 2 per cent.

UK sales of generic drugs were worth about £210m in 1990, according to Mr Alan Smith, secretary of the British Generic Manufacturers Association (BGMA). That was only 10 per cent of total pharmaceutical sales by value, although 45 per cent of all NHS prescriptions were for generics.

The disparity shows how cheap generics are: their average cost per prescription is £1.42, compared with £6.77 for a branded drug.

The proportion of prescriptions filled by generics fell from 36 per cent at the birth of the National Health Service in 1947 to a low-point of 20 per cent in 1982. Generics have picked up steadily since then - and were given a special

boost in 1985, when the government introduced a "selected list" of medicines that doctors were allowed to prescribe on the NHS. Mr Smith believes that, given fair treatment by the government, generics can fill more than 60 per cent of all UK prescriptions by the mid-1990s.

Last year, when 49 per cent of prescriptions were for generics, 7 per cent were for patented branded drugs and the remaining 50 per cent were for off-patent branded drugs.

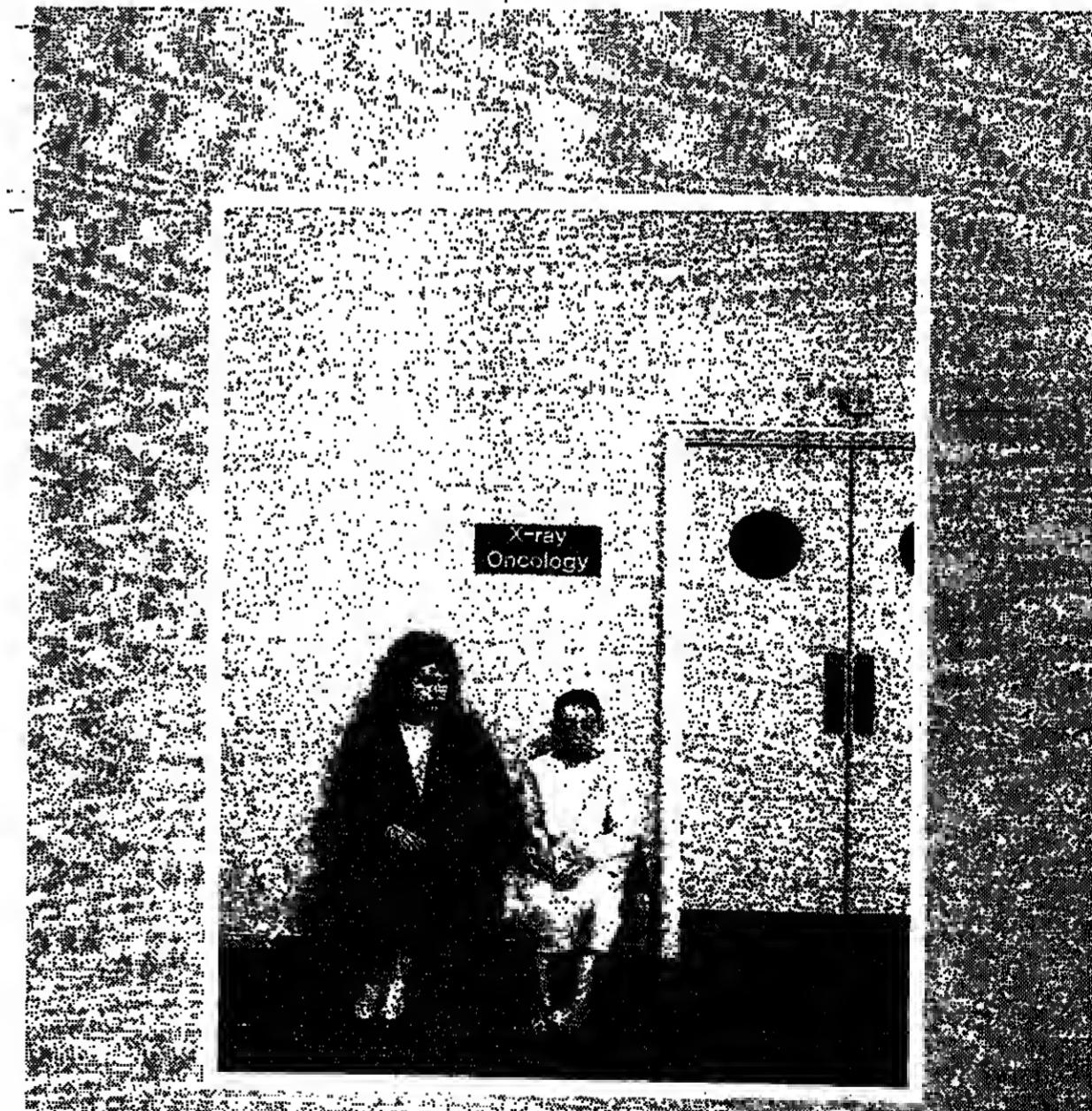
Mr Smith says that about half of the prescriptions currently written for off-patent branded drugs could be replaced in practice by the equivalent generic; the other half involve generics that are too specialised.

One is its refusal to pay for the NHS to follow other European health services and adopt "original pack dispensing". Current UK practice is for generic manufacturers to supply drugs in bulk packs, from

claims that every 1 per cent swing away from branded prescriptions saves the NHS £26m a year. The government puts the saving closer to £10m a year.

But in two significant areas the UK government is obstructing the spread of generic prescribing, according to the BGMA.

One is its refusal to pay for the NHS to follow other European health services and adopt "original pack dispensing". Current UK practice is for generic manufacturers to supply drugs in bulk packs, from



One in three cancer sufferers survive.  
With government support they could have a better chance.

All SOLVAY activities in Alkalies, Peroxygens, Plastics, Processing and Health benefit from the constant attention of 3,300 researchers and 128 years of experience.

SOLVAY

The ability to innovate

Not so long ago children with a condition like leukaemia would almost certainly die. Thankfully, today things have changed. Important advances have been achieved in the treatment of childhood cancers. Many children with leukaemia now make complete recoveries. In fact, today, more than a third of all people with cancer are successfully treated.

But, sadly, there are still over 150,000 deaths a year from cancer in the United Kingdom alone.

Scientists in Britain's research laboratories are strenuously working now closer in the search for treatments for all forms of cancer and many other disabling and life-threatening conditions.

This costs the innovative companies in Britain the staggering sum of almost £1,000 million a year. But time is crucial. If British research is to stay ahead of the world, companies need time and the incentive to spend more money developing innovative products. Due to the time it takes to develop, test and license new medicines, pharmaceutical companies can expect, on average, 10-12 years of the usual 20 years of patent protection enjoyed by virtually all other new product inventions.

This erosion of patent protection is seriously hampering medicine research.

To help overcome this problem the European

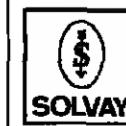
Commission has proposed to restrict to European pharmaceutical companies an effective 15-year patent life on new medicine discoveries.

Not as good as the 20 years enjoyed by most other products, but a definite improvement on the 8-10 years currently available for pharmaceuticals.

For the sake of every NHS patient, and for millions of others throughout the world who need hope and comfort, that the prospect of new treatments can bring, we urge the UK Government to provide the fullest possible support to the EC proposal.

One day you may depend on it.

THE EUROPEAN PHARMACEUTICAL INDUSTRY HELPING TO KEEP EUROPEAN HEALTHY



SOLVAY S.A.  
Rue du Prince Albert, 33 - B-1050 Brussels - BELGIUM  
Tel. (322) 509 01.11 - Telefax: (322) 509 06.17

## PHARMACEUTICALS 3

R&D: the big British-owned groups believe that better planning and co-ordination can reduce clinical development times

## UK centre plans to be a global influence in the 1990s

MEDICAL DIRECTORS of 55 major pharmaceutical companies in Europe, the US and Japan have been asked to help in a British study to try to identify the bottlenecks in clinical development which, since the 1980s, have helped to triple the total time it takes to develop a new drug.

This follows a pilot study by the Centre for Medicines Research in which medical directors from six UK-owned, research-based pharmaceutical groups reveal that the clinical development phase has extended from three years in the 1970s to an average of seven years in the 1980s.

Clinical development is the most protracted and costly of the several phases of new drug development. The Centre for Medicines Research, mainly funded by the Association of the British Pharmaceutical Industries, at Crowthorne, Surrey, believes tougher regulatory demands are not the only reason for the increasing cost of this phase. It has identified two others:

• The need to produce clinical dossiers for international registration; and

• The extra clinical data required to satisfy international regulatory requirements, compared with the 1970s.

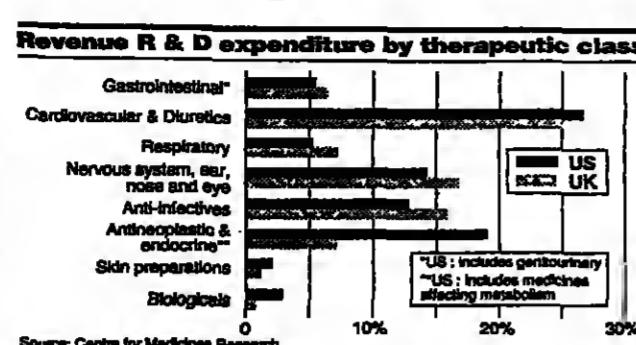
But the British six believe that by better planning and co-ordination, they could reduce clinical development times. In the US, the centre finds total drug-development time lengthened from an average of 6.5 years in the 1960s to 14 years by the early-1980s, with the clinical development phase taking 60 per cent of total development time. The situation is better in Europe, where data from Belgium, France, Italy and Sweden on development times shows that they were averaging between eight and 10.7 years in the late-1980s.

The Centre for Medicines Research, directed by Professor Stuart Walker, plans to become a major resource for the international pharmaceutical industry by the mid-1990s. To this end, it is internationalising its top management. It has recruited Mr Pierre Douzane, head of Giba-Gly's pharmaceutical division in Basle, to represent all three major Swiss drug companies on its policy committee.

In spite of the industry's development difficulties, 25 new chemical entities were introduced to the UK market in 1990, of which 16 have been developed by European companies and nine by US-owned firms.

This compares with 23 new approvals for the US market, of which 17 are products of US-owned companies and only six from European firms.

Of the 25 new products introduced in the UK, six are cardiovascular drugs, six are anti-in-



Source: Centre for Medicines Research

fectives, and three are for treating cancer. On the same from Glaxo, is a selective 5HT2-receptor antagonist associated with nausea and vomiting associated with cancer treatment.

It is also showing possibilities as a treatment for memory loss. The only novel biotechnology product to receive approval was sputin alpha, a recombinant human glycoprotein hormone from the Swiss company Chugai, used for treating anaemia in patients on dialysis where it can avoid the need for blood transfusions.

"Biotechnology does not always lead to profits - it can lead to losses," a researcher for the Centre for Exploitation of Science and Technology (CEST), the London-based think tank formed by 18 of Britain's research-based companies, including Glaxo and ICI. He commented this spring. Dr John Savin went on to mention the consumer-resistance from national health services to new biotechnology drugs - the products of genetic engineering, for example - because they were far too expensive. Well-known examples include the genetically engineered versions of TPA, the clot-busting drug.

Nevertheless, Dr Savin has written for CEST a study of the commercial importance of antibody engineering, one of the latest techniques of biotechnology, which predicts that it will underpin sales worth \$8bn a year by the end of the decade. The seven disease sectors expected to respond to therapeutic antibodies include some of the more intractable diseases such as Aids, arthritis and cancer, and are shown in the accompanying chart.

Antibody engineering can be characterised as third-generation biotechnology, still at the research stage and generating negligible sales at present. Antibodies are agents that can bind to and neutralise foreign molecules (antigens).

The aim is to achieve both high specificity and a very tight bond. Antibody engineering - genetic manipulation of antibodies - can improve both factors in effect fine-tuning the antibody.

Britain invented the technol-



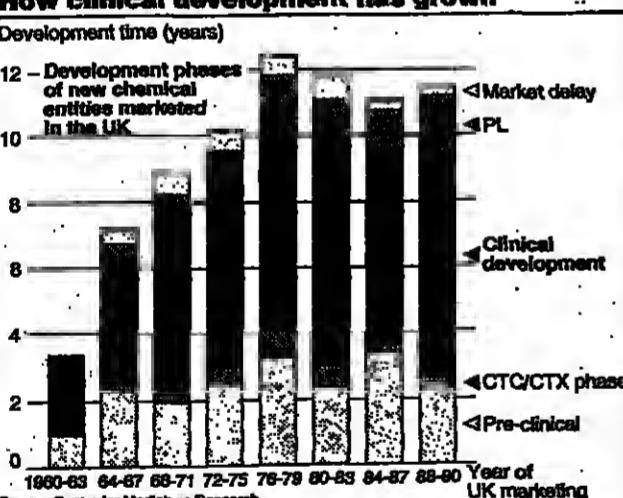
A research laboratory of ICI Pharmaceuticals, one of the partners in the London-based think-tank CEST

David Fishlock



# HAZCHEM

### How clinical development has grown



Source: Centre for Medicines Research

**VACCINE PRODUCTION**  
Laboratories, Research and Development Complex,  
Production Lab, Manufacturing Suites, Sterile Store, Clean Rooms.  
Office: 3000 Sq. Mtrs./84,000 Sq. Ft.  
Total Site, Grounds, with Sports Field, 32.5 Acres.  
Location: M5/M4 Corridor  
Near: Andover - Salisbury - Swindon  
Freehold available, site can be disposed of in Part Lots.

Contact: Page's, P.O. Box 822, Ascot, Berkshire SL5 9YB.  
Telephone: 0344-2125489/0101  
Facsimile: 0344-24210 or 0344-890231.

## SPOT THE FINANCIAL HAZARDS BEFORE THEY SPILL OVER INTO YOUR BUSINESS.

What businesses need today is professional protection against financially hazardous situations.

Trade Indemnity is the leading UK credit insurer. But more than insurance against non-payment due to insolvency of your customers, we provide a uniquely effective monitoring and early warning system for your business.

Enabling you to assess new sales prospects and keep right up to date on the state of your existing customers.

With our credit insurance and on-going credit information, you are better able to raise finance and release capital for development,

protect your profitability and expand confidently into new markets, whether at home or overseas.

Our database covers a million UK and ten million overseas companies. Together with our intelligence network, it provides you with an unparalleled source of business information.

And with over seventy years' of specialist insurance experience behind us, you can be sure of getting the chemistry right with Trade Indemnity.

Your first step towards greater foresight is to return the coupon, call your broker or Trade Indemnity's UK Market Manager on 071-739 4311 today.

I'd like to hear how Trade Indemnity can bring more foresight to my business planning.  
Send coupon to Trade Indemnity plc, 12-14 Great Eastern Street London EC2A 3AX.  
Tel. No: 071-739 4311, Fax No: 071-739 6317.

PT 237

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Telephone No. \_\_\_\_\_

Please note that the details requested are for our information only and will be treated in confidence.

Type of business \_\_\_\_\_

Manufacturing/Processing  Service  Distribution

Turnover: £1M+  £25M+  £10M+  £50M+

Trading Areas: UK  EC  OECD  Other

TRADE INDEMNITY PLC

071-739 4311

Foresight, for business.

**FT**  
FINANCIAL TIMES CONFERENCES  
**WORLD PHARMACEUTICALS CONFERENCE**  
March, 1992

For information please return this advertisement, together with your business card, to:  
**Financial Times Conference Organisation**  
128 Jermyn Street, London SW1Y 4JJ, UK  
Alternatively, Telephone: 071-925 2323  
Telex: 27347 FTCONF G Fax: 071-925 2125

## PHARMACEUTICALS 4

PHARMACEUTICAL companies have to push their products through a thicker forest of safety and efficacy regulations than any other industry. Increasingly stringent regulatory requirements are a prime reason why the time taken to develop a new drug increased from an average of three-to-four years, in the early 1960s, to 10-to-12 years in the late 1980s.

There are encouraging signs that governments are now beginning to hack back the jungle of safety regulations, particularly by harmonising different national requirements. And drug-development times are falling slightly from the 1980s peak.

On the other hand, companies now face a fast-growing new regulatory forest, sown by governments' determination to

Companies have to justify new drugs' cost-effectiveness by showing they reduce time spent in hospital

hold down soaring health costs.

"Over the last couple of years, the requirements for getting the price you want have increased enormously," says Ms Linda Blimes, of Boston Consulting Group. "In addition

BOTH THE prescription and over-the-counter sides of the industry are concerned about a European Commission draft directive on drug marketing.

The over-the-counter (OTC) drugs industry reckons that it has been the pawn in a long-running fight by the European Parliament to gain more power – or part of a wider move among EC groups to restrict advertising throughout the Community.

A parliamentary committee made hundreds of amendments to the directive, which the industry saw as an attempt to ban the advertising of non-prescription pharmaceuticals by the back door; committee members complained of trade body over-lobbying, as the industry and consumer groups tried hard to get changes; and last month the Commission refused to accept nearly all the amendments – though the industry

Regulations: governments are starting to hack a way through the safety jungle, but...

## Health-cost cuts are a new inhibition

to their traditional medical dossier, companies are having to put together an economic dossier – which is becoming a major regulatory hoop.

Companies are having to justify the cost-effectiveness of new drugs, for example by showing that they reduce the time patients spend in hospital.

This is particularly important for drugs which are not clear medical breakthroughs but incremental improvements on what is already on the market.

Companies that have recently introduced new pricing regulations include the Netherlands, Germany, Australia and Canada. It is not yet clear whether

they will have an impact on development times, but they will certainly add to the costs of introducing a new drug.

Companies are having to balance the cost of delaying an introduction, while they gather economic data, against the risk that the drug will be placed in a lower price category without

the data.

Meanwhile, conventional medical regulations are being harmonised both within the European Community and on the global level.

A stream of EC directives since 1985 has brought some harmony to European drug-licensing procedures, but significant differences remain.

The decentralised route. The 12 existing national agencies would still be available to license conventional drugs. A company given approval in one country could then apply to other member states to accept this decision, on the principle of mutual recognition. If another country refused to accept the original decision, and the two national agencies concerned could not sort out the disagreement, it would be resolved by binding arbitration through the central agency.

The decentralised route

mean that a company would need to carry out only one set of scientific tests, animal experiments and human trials, in order to apply to register a new drug anywhere in the world.

In practice, some differences in clinical requirements will survive because medical practice and social conditions vary so much in different parts of the world. If one country insists on special clinical requirements, however, these must be based on rational criteria. Japan will no longer be able to insist that any new drug be tested on Japanese patients before it can be considered for approval.

The ministry of health and welfare, in Tokyo, has long been notorious for maintaining very different standards from the rest of the world – less to protect Japanese patients than to protect Japanese drug companies from international competition. But that attitude has changed remarkably over the last five years or so, as the Japanese companies have sought to expand overseas.

There are no global estimates for the total savings likely to come from bringing all drug licensing requirements into line. But the Centre for Medicines Research in the UK recently looked into one particular issue, the duration of animal toxicity studies. It concluded that, apart from carcinogenicity testing, there was no safety advantage in continuing toxicity tests for longer than six months.

The European Community has already adopted a six-month duration for toxicity testing, but the US and Japan insist that animal tests continue for 12 months. The Centre for Medicines Research estimates that if the rest of the world comes into line with the EC on just that one requirement, the industry will save \$100m a year – and use 35,000 fewer laboratory animals.

Clive Cookson



Before a new drug reaches the dispensary, it is required to pass through a forest of safety and efficacy regulations

### Marketing: anxiety over EC draft directive

## Ban sought on gifts to doctors

still considers part of the directive illegal and is seeking changes.

Meanwhile, the commissioners have turned their fire on the relationship between doctors and drug companies' sales representatives – always a sensitive issue.

The directive, one of several on pharmaceutical trading in the EC, seeks to ban all "giving and receiving of gifts, pecuniary advantages and payments-in-kind" between sales representatives and doctors.

A survey by Justin Greenwood, senior lecturer in public administration at Teesside Polytechnic and past researcher

into the impact of reps on GPs' prescribing behaviour, found that both doctors and reps were unhappy with this practice.

The pharmaceutical industry is self-regulating, through the Association of the British Pharmaceutical Industry's code of practice. The ABPI says that the code allows "gifts as promotional aids that are inexpensive and relevant to the practitioner".

But allegations have been made of inducements being offered to doctors to prescribe a company's drugs or to take part in drug trials. One of Mr Greenwood's surveys was conducted among 262 doctors in the Trent

Health Authority area, the other among 162 drug reps throughout the UK. The replies suggested that doctors felt pressurised into prescribing by reps who offered gifts, but that reps also felt pressurised into offering doctors presents because some doctors threatened not to prescribe their company's drugs should they not provide such treatment.

The association's argument is that the proposed ban threatens to block sponsorship of conferences within the industry. Mr Ben Hayes, of the ABPI, says that about 70 per cent of conferences offered to doctors are paid for by companies. Professor Bill Inman, head of the Drug Safety Research Unit, at Southampton University, and a strong critic of doctor-rep "tribes", agrees that with no other likely source of funds, such a loss of training would be detrimental to the profession.

Mr Greenwood's surveys suggest that dissatisfaction with the doctor-rep relationship goes further: doctors did not trust the information that reps gave them, while the reps themselves felt they lacked doctors' respect. Many of the criticisms could be put down to poor training of reps – only 25 per cent of whom had any medical training, according to the reps.

Several doctors voiced their interest in some form of independent drug advice, and Mr Greenwood says: "I have advocated the use of state reps in a greater role." But since government policy is for self-regulation, he believes such a move is unlikely, and suggests that instead one should work with the industry to help it improve its practices "as best it can".

Mr Hubertus Craz, head of the Association of European de Specialites Grand Public, the European non-prescription drug trade body, says that these amendments were "nonsense" and "made practical advertising impossible" – they went "against reasonable consumer communication". "Nobody is capable of catching all that information," he adds.

Some MEPs on the committee seem to have been keen to ban drug advertising throughout the EC – it is presently banned in Denmark and Belgium – and were overzealous in hedging the directive around with these restrictions. Mr Ken Collins, chairman of the committee, says "the committee wanted a self-endorsed job".

Ursula Schleicher, of the committee, points out that for the Parliament to discuss the issue as widely as possible, all the amendments have to be put through on the first reading – new amendments cannot be introduced after that. And she agrees that several parliamen-

tary groups are seeking to ban advertising of certain products not advertised in their member states. The move to ban tobacco advertising, introduced last month, is an example, she says.

Shala Kelly, of the Proprietary Association of Great Britain, the UK trade body, thinks that MEPs' frustration at the Parliament's lack of power leads them to try to add their stamp on directives by adding lots of detailed amendments. She points out that similar moves have been made on other directives. The Parliament's opinion can be ignored by the Commission and Council of Ministers.

This is essentially what happened last month. As Mr Collins had hinted was likely, the full Parliament threw out many of the amendments – and Martin Bangemann, vice-president of the European Commission, promptly announced that the only amendment that the Commission would accept was the compulsory reference to read the label and leaflet. This was in the original Commission proposal and is used by most EC countries.

One remaining wrinkle, as far as the industry is concerned, is the demand that advertisements must not mention the symptoms. Ms Kelly is confident that this will be overtaken: "I think that was just a mistake. There is general recognition that it's just plain wrong."

Now the directive moves on to the Council of Ministers' working party, where further lobbyists will try to iron out the wrinkle. But one is left wondering what the point is of the committee spending a lot of time and effort, and getting the industry into a tangle, to achieve very little. Perhaps the inter-governmental conference considering the EC structure should take note.

Ellisabeth Tacey

The decentralised route. The 12 existing national agencies would still be available to license conventional drugs. A company given approval in one country could then apply to other member states to accept this decision, on the principle of mutual recognition. If another country refused to accept the original decision, and the two national agencies concerned could not sort out the disagreement, it would be resolved by binding arbitration through the central agency.

The decentralised route

mean that a company would need to carry out only one set of scientific tests, animal experiments and human trials, in order to apply to register a new drug anywhere in the world.

In practice, some differences

in clinical requirements will survive because medical practice and social conditions vary so much in different parts of the world. If one country insists on special clinical requirements, however, these must be based on rational criteria.

Japan will no longer be able to insist that any new drug be tested on Japanese patients before it can be considered for approval.

The ministry of health and welfare, in Tokyo, has long been notorious for maintaining very different standards from the rest of the world – less to protect Japanese patients than to protect Japanese drug companies from international competition.

But that attitude has changed remarkably over the last five years or so, as the Japanese companies have sought to expand overseas.

There are no global estimates for the total savings likely to come from bringing all drug licensing requirements into line. But the Centre for Medicines Research in the UK recently looked into one particular issue, the duration of animal toxicity studies. It concluded that, apart from carcinogenicity testing, there was no safety advantage in continuing toxicity tests for longer than six months.

The European Community has already adopted a six-month duration for toxicity testing, but the US and Japan insist that animal tests continue for 12 months. The Centre for Medicines Research estimates that if the rest of the world comes into line with the EC on just that one requirement, the industry will save \$100m a year – and use 35,000 fewer laboratory animals.

This has not worked well, because national regulatory agencies frequently object to submissions from other countries and the system has been plagued by long delays. According to a recent EC report, one application had not been settled after almost four years.

On the global level, the first formal international conference on harmonisation will be held in Brussels in November. It is being organised jointly by the EC, the US Food and Drug Administration and the Japanese Ministry of Health and Welfare, and by several trade associations representing the international pharmaceutical industry.

Clive Cookson

### The Global Pharmaceutical Industry THE CHALLENGE OF CHANGE

The 40 year run of continuous success for almost all companies in the pharmaceutical industry worldwide is coming to an abrupt halt. For four decades the rules of competition were clearly defined and success largely depended on following a clearly defined set of strategies. However, the 1990s saw a crumbling of these old assumptions, and the industry faces uncertainty in the 1990s:

► A complex set of political, economic and social demands of changing customer groups on a global scale, together with the financial community are forcing the introduction of new strategies and structures.

► Shifting sources of innovation; new and recycled technology and mounting pressure on the market place for pharmaceuticals.

This new report from the EU, The Global Pharmaceutical Industry in the 1990s: The Challenge of Change, analyses the current state of the industry and provides an in-depth assessment of its prospects. The report focuses on change and opportunity and the innovative ways in which pharmaceutical companies can actively manage transition and shape their own future.

Special Report No. 2071 Published November 1990 Price: £225 Europe; US\$320 The Americas; £225 Rest of World

PLUS: Europe's Pharmaceutical Industry: Tackling the Single Market – Published April 1991.

To order a copy of the report, or to obtain further details of Europe's Pharmaceutical Industry, please contact

Jayne Mountford, Marketing Department, The Economist Intelligence Unit, 40 Duke Street, London W1 1DW. Tel: 071 493 6711

Fax UK: 071 493 9767

Tel Rest of World: (44 71) 493 6711

Fax Rest of World: (44 71) 493 9767

The Economist Intelligence Unit is a business unit of Business International Corporation, a division of The McGraw-Hill Companies. The Economist Intelligence Unit is a registered trademark of Business International Corporation. © 1990 Business International Corporation. All rights reserved.

The Economist Intelligence Unit

He has his mother's eyes, his father's smile,

and a transplanted kidney...

To some of us, transplantation seems miraculous. But, it is a miracle if it has happened 100,000 times?

Sandoz Pharmaceuticals Ltd is a leader in transplantation research. Kidney, liver and heart transplants have become safer, more realistic options for thousands of patients.

In the last five years alone, 100,000 patients have received transplanted organs.

Sandoz Immunology research helped make this a reality. Now, what else might be achieved? We are only just beginning...

Large

Unp... Eastern

Exc...

Europe

Asia

Latin America

Africa

Middle East

Central America

Caribbean

South America

North America

Europe

Asia

Africa

Middle East

Central America

Caribbean

South America

North America

Europe

Asia

Africa

Middle East

Central America

Caribbean

South America

North America

Europe

Asia

Africa

Middle East

Central America

Caribbean

South America

North America

Europe

Asia

Africa

Middle East

Central America

Caribbean

South America

North America

Europe

Asia

Africa</p

## Portrait of a marriage

## RPR takes the global stage

NEXT WEEK Rhône-Poulenc Rorer will celebrate its first anniversary. And the company believes it has plenty to celebrate.

Before the merger of the human pharmaceuticals arm of French chemical giant Rhône-Poulenc with the medium-sized US drugs outfit Rorer, both companies' future in the increasingly competitive world of pharmaceuticals looked shaky.

Rhône-Poulenc, while strong in its home market and some EC markets, had virtually no position in the world's two largest markets, the US and Japan. Moreover, it had a product pipeline which it was not in a position to truly cash in on.

On the other hand, Rorer lacked the market position and infrastructure in Europe to be able to compete. Even in the US it is a long way behind such giants as Merck Sharp & Dohme and Eli Lilly.

With Rhône-Poulenc acquiring 68 per cent of Rorer, a freestanding pharmaceuticals company now exists which can truly claim to be a world player. Indeed, creation of RPR has produced a pharmaceuticals operation which can boast sales that top \$3.5bn and an R&D budget of \$440m. Moreover, it is ranked in the top three in Europe, and has vastly improved its presence in the US, the world's largest market.

Together we gained expanded geographic coverage, critical mass in research and development, and significantly enhanced worldwide sales and marketing "capabilities," revealed RPR's English-born chairman, president and chief executive, Robert Cawthorn.

If a company's pockets are deep enough, buying so-called critical mass is easy enough; the tough part is to leverage that position effectively.

Part of the birthday celebration will be dedicated to the apparent painless way the two companies have become one, although this is very much down to the fact that the partners wasted no time setting the wheels of integration into motion.

Mr Cawthorn, who was heading up Rorer Group at the time, had named his management committee in March 1990 – just two months after the



Robert Cawthorn: quick to name his management team

announcement by the two companies that they had agreed in principle to combine, and almost two months before Rorer got the green light from its shareholders to sell the 68 per cent stake to the French group.

"By July, management was in place up to four levels into the organisation," he added. The race was so furious that, by the end of last year, the company was claiming that integration was complete in Europe, North America and the developing nations. Integration in Japan is just being completed.

Integration, however, is never a pain-free process. RPR's strategy involved organising worldwide industrial operations with corporate accountability. "Strategies to improve performance are conceived globally and implemented locally," said Mr Cawthorn.

Interestingly, the company has created what it describes as a transatlantic structure composed of three discovery centres, each specialising in specific therapeutic categories.

Researchers in France are focusing their efforts on medicines to treat disorders of the central nervous system, cancer, infectious diseases and Aids. The US and UK centres are concentrating on heart disease, allergies and bone metabolism. Although it appears that the

research efforts have been compartmentalised into French and English-speaking laboratories, RPR does claim it is looking for opportunities to move people across the Atlantic.

"Since promoting cultural diversity and management teams are key goals of the company, we will have designated repatriation programmes to ensure that people who relocate adapt to their new environments quickly."

Whether RPR will emerge as a truly integrated French-American pharmaceuticals company remains to be seen. First impressions tend to favour the view that it will be perceived as an American drugs firm which happens to be owned by a French company.

RPR has retained the services of Mr Cawthorn, and the company's mission statement bears all the hallmarks of a US concern. The emphasis being placed on quality also has the US's fingerprints all over it. Also, before the merger, Rhône-Poulenc encouraged its English-speaking staff to learn French, though that impetus seems to have run out of steam.

Underpinning the view that the French influence may not be as great as it should be, Mr Cawthorn sees Rhône-Poulenc as an important shareholder, but RPR as a freestanding pharmaceuticals operation with its own mission statement.

The success or failure of the merger can be judged only by the impact on the bottom line. Although it is still early, Mr Cawthorn revealed that RPR had achieved its first goal, to break even in 1990, in spite of significant one-off costs. This year the income target is \$323m, rising to \$462m in 1992, \$600m in 1993 and \$742m in 1994.

Nevertheless, Mr Cawthorn does believe that cross-cultural exchanges and increasing workforce diversity will be important to the future of the company. "We want to build a global business culture in which people on all levels of the organisation, regardless of location, can exchange ideas and skills with other areas of the company, and apply those tools in new ways to operate more effectively."

Mike Ward

TOUGH TIMES lie ahead for research-based pharmaceutical manufacturers in Europe. They are already under pressure from their pay masters – government and private health insurers – but new pressures are now coming from within the industry.

They are being challenged by their traditional partners, the wholesalers. This is most evident in Europe, with its ethical drug market of some \$50bn, where governmental efforts to contain health costs are at their most proactive, and where, as a result, the players in the competitive game are being encouraged to rewrite the rules.

In the US, the distribution of ethical drugs sales are managed by three or less wholesalers. The only exceptions are Italy and Spain, and even here the trend is clear.

■ In each of the major European markets, 50 per cent of ethical drug sales are managed by three or less wholesalers.

The only exceptions are Italy and Spain, and even here the trend is clear.

■ Pan-European associations are being formed: Tredimed, linking AAH (UK), Gehe (Germany) and OCP (France); PAG linking Unichem (UK), OPG (The Netherlands), Egsa-Wiwiweda (Germany) and Anzag (Germany); while other examples include ERPI, ORPHE and FEN.

■ Cross-border investments

## The distribution chain

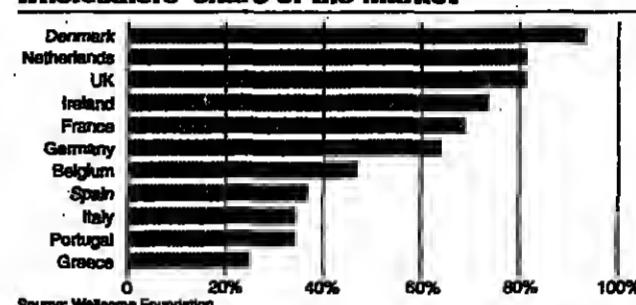
## Agenda set by wholesalers

national level, which will enable them to take increased advantage of this situation, and to position themselves with manufacturers as potentially aggressive customers, rather than as partners. The signs are mixed.

If the Single Market leads essentially to a greater rationalisation of product presentations, and to a harmonisation/centralisation of drug registration, their current pan-Europeanisation actions will reinforce their hands in a number of strategic areas – purchasing power, cost efficiency, parallel importation, generics (including wholesalers' own brands), national and cross-border tendering for the increasing level of contract business.

With the largest manufacturer (MSD) having no more than a 4 per cent market share, the pharmaceutical industry is one of the most fragmented, and yet manufacturers have

## Wholesalers' share of the market



Source: Waggoner Foundation

are increasing OCP and CERP (France), Medicopharma (The Netherlands), Gehe and Schmitz (Germany) have all been active, with the latter, for example, acquiring Chaser in France.

■ Wholesalers are investing in generic and OTC manufacturers – Schulze in Ratiopharm, and Gehe in Amchem.

■ Where allowed, wholesalers are investing in pharmacies or pharmacy franchises.

■ McKesson, the largest US wholesaler, whose \$7bn drug sales exceed the total UK market, has acquired some 10 per cent of Medicopharma, and has declared publicly its intention of becoming a major European player.

With net margins currently

standing at 1-2 per cent of sales

in many of their major mar-

kets, it is not surprising that the wholesalers are looking for strategies that strengthen their position in the distribution chain.

If the Single Market leads essentially to a greater rationalisation of product presentations, and to a harmonisation/centralisation of drug registration, their current pan-Europeanisation actions will reinforce their hands in a number of strategic areas – purchasing power, cost efficiency, parallel importation, generics (including wholesalers' own brands), national and cross-border tendering for the increasing level of contract business.

Glaxo, for example, has started to transform its key wholesalers into contract distributors with what appears to be favourable financial consequences for both sides, though we have yet to see what could be the wider impacts, for example, in parallel imports.

For the majority of manufacturers, however, the game has still to be played, and the scope for acting in isolation of other players in the industry is limited. The unknowns are many.

■ How quickly will the Single Market become a reality and price transparency really start to bite?

■ When will parallel imports stop being an issue?

■ Is the single pharmacy law (in several EC countries) likely to be successfully challenged?

■ What stance will be taken by professional groups such as pharmacists and self-dispensing physicians?

■ Will hospitals and Regional Health Authorities ever compete with wholesalers?

■ Will a "European" (product) presentation ever be achieved?

■ Will twice-daily deliveries to pharmacies become a thing of the past?

■ What could be the evolution of alternative distribution networks, such as DHL and Federal Express?

■ What stance will the EC and/or local health insurers take on the issue?

■ What stance will be taken by other manufacturers?

During the next few years we can expect significant changes in the distribution of pharmaceutical drugs within Europe. The wholesalers are taking a leading role in shaping the new order, and in challenging the traditional balance of power.

Their objectives may well turn out to be in the long-term interests of the manufacturers, but at present it is the wholesalers who are setting the agenda. It would be foolhardy of manufacturers not to develop their own game plan.

Richard Platford

Coopers & Lybrand, partner, Pharmaceutical Sector Consulting Services



Largest Pharmaceutical Company in Hungary

Unparalleled Access to the USSR and Eastern European Markets

Excellence in Research and Development

GEDEON RICHTER LTD. P.O. BOX 22 H-1476 BUDAPEST HUNGARY  
TELEPHONE 36/1/54666 TELEFAX 36/1/54669 FAX 36/1/547262

 Bristol-Myers Squibb Pharmaceuticals

In the fullness of time  
will most of the world's diseases be eradicated?

Bristol-Myers Squibb, one of the world's largest research based pharmaceutical companies, is committed to the discovery of solutions for these problems.

Our aim is to eclipse disease for the world's people.

## PHARMACEUTICALS 6

Imagery: the public seems to like the industry, though it knows little about it

## Life-savers preferred to chemists

DEPENDING ON who you talk to, the pharmaceutical industry is either the answer to all our problems or the sector which callously exploits human suffering for huge profits.

It's all a question of image. Yet the industry has been unable to do much to influence its public image, even though it could hit sales and multiply the regulations it has to comply with.

The gamut of opinion runs from the City investors through to political critics. Investors seem to love the industry, and have for some time relied on its high performance to bring in regular large returns on investment. One of their major worries, however, is the harm that stricter regulation, prompted by widespread signals of public anxiety, can do to profitability.

Research by pollsters in the UK has shown that law-makers



Mysterious but popular: polls have revealed unexpected attitudes towards the industry

have a much more jaundiced view than the voting public of the pharmaceutical industry – yet, ironically, the regulators believe they are responding to public opinion.

Indeed, when Mori polled members of parliament in 1986 only 46 per cent had an attitude described as very or mainly favourable towards the pharmaceutical industry. After a promotional campaign by the Association of the British Pharmaceutical Industry (ABPI), which targeted MPs, the percentage of favourable opinion rose to 59 per cent in 1990.

MPs have an excuse for misreading the public's view of the industry, because poll results show that public opinion does not follow the useful pattern. Generally, the more familiar the public is with an industrial sector the more likely it is to view it favourably. So the retail industry can be expected to score highly in both familiarity and favour.

In spite of scoring poorly in the familiarity stakes, the pharmaceutical industry does better than expected on "favourability". Indeed, the sector is only as well known as the nuclear and chemical industries, yet is much more highly regarded than either.

The most recent poll by Mori gives pharmaceutical firms a most-favourable rating of 47 per cent, compared with 20 per cent for the chemical sector. Only 13 per cent of those polled said they viewed pharmaceuticals most unfavourably, while 33 per cent put chemicals in this category. Individual companies are now considering plans to conduct their own public-opinion surveys.

The life-saving reputation of pharmaceutical companies appears to play an important part in boosting the sector's image. When those polled were asked to describe the industry, many selected positive mes-

sages, such as "life-saving", rather than some of the possible negative responses.

Yet, ironically, it is not for the life-saving qualities of their products that companies such as Glaxo receive fair mail, but for those medicines that have an impact on the quality of life. Glaxo had received letters of thanks from cancer patients

who have been given a drug that stops the nausea associated with chemotherapy, a company spokesman said.

Sometimes, however, a drug that treats a life-threatening condition can give a company a public-relations headache. Soon after the launch of the Aids treatment, zidovudine, Wellcome encountered hostile

criticism. Aids pressure groups criticised the company for the cost of the treatment.

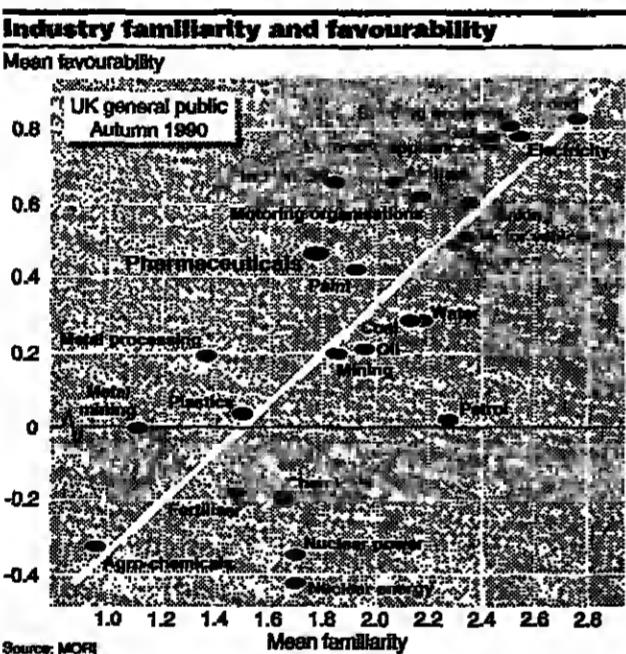
As zidovudine received

approval so quickly, the initial hostility caught the company on the hop, but eventually, by meeting the critics, Wellcome was able to put over its side of the story. "The problem was not that the drug is expensive, but that a lifetime treatment pushes up the cost. One capsule of zidovudine is no more expensive than many other drugs," a spokesman explained.

ICI Pharmaceuticals does not seem to have the same poor environmental image as other ICI divisions elsewhere in the UK. Indeed, it is ironic that, while the chemical industry is held in such low regard, the pharmaceuticals companies do not seem to be tarred by the same brush. Many pharmaceutical companies also have chemical operations, although much smaller than Hoechst and ICI, but often seem happy to say quiet about it.

In the UK, most information about medicines is directed at the doctor rather than the patient. In the US, however, drug firms will sponsor advertisements that give the impression of being public-health information. Although the drug company's product will not be mentioned, the potential patient is urged to have his

Mike Ward



## A single source

Our standing as one of the premier architectural, engineering, process, construction and validation companies for the life sciences industries has resulted from a combination of experience and successful performance in pharmaceutical and bioprocess projects. Our architects, engineers, process and construction specialists are the leaders in the industry.

We are currently engaged by the top pharmaceutical and bioprocess companies on significant developments and supporting smaller companies to develop and grow.

Our performance and the quality of our work can be verified by any of our clients past or present.

Costain Life Sciences specialises in every element of pharmaceutical production from laboratories and pilot plants to commercial scale production facilities.

Our organisation is considered to be one of the leading professional service companies in your industry and is part of a worldwide professional resource of over 1,200 people – a "single source" from the first design concept to the last validation detail.

To find out more about our experience and dedication – for the UK and Europe contact Ian Thompson or Paul Tubito on 061-499 3030. For the USA call Robert Giorgio on 215-299 8700.



**COSTAIN LIFE SCIENCES LTD**  
COSTAIN LIFE SCIENCES LIMITED Costain House, Styal Road, Manchester M22 5WN, England  
Tel: 061-499 3030 Telex: 666031 Facsimile: 061 437 5829

### FINANCIAL TIMES RELATED SURVEYS

|                              |              |
|------------------------------|--------------|
| Aluminium                    | Oct 24 '90   |
| The Oil Industry             | Nov 12 '90   |
| Pharmaceuticals              | Nov 21 '90   |
| Energy Efficiency            | Dec 14 '91   |
| World Industrial Review      | Jan 15 '91   |
| Industry and the Environment | March 13 '91 |
| Private Health Care          | March 26 '91 |
| The Food Industry            | May 10 '91   |
| The Chemical Industry        | Sept 91      |
| Base Metals                  | Oct '91      |

FOR ADVERTISING INFORMATION: Contact BILL CASTLE

**071-873-3760**

FOR EDITORIAL INFORMATION: Contact DAVID DODWELL

**071-873-4090**

## Manufacturing

## Pruning old plants

### THE CURRENT

emphasis on manufacturing is a sure sign of the maturing of the pharmaceutical industry. Once dominated by R&D-driven growth and by aggressive marketing to deliver high margins, it is under pressure and poised for major change.

One important consequence is the demise of the old "one market, one factory" approach, which has paid handsome dividends for many years. Indeed, it is becoming all too clear to many companies that the general public for some time, and is seeing an increase in positive responses to the sector. Similarly, Hoechst has been educating its neighbours about the new techniques of genetic modification. Hoechst has been trying to pursue plans for an insulin-production facility which uses genetically-modified organisms. The company originally asked for

Being a good neighbour has helped ICI Pharmaceuticals to win support from Macclesfield council

mission to proceed in 1984, but now the earliest the plant is likely to be ready will be 1993.

"The task has been hard, because many people find it difficult to differentiate between science fiction and industrial reality," a spokesman added. But by pursuing dialogue with the plant's detractors, the company has managed to persuade its neighbours that the unit provides no extra dangers.

Being a good neighbour has helped ICI Pharmaceuticals to win support from Macclesfield borough council, which houses the company's production facility.

ICI spends a great deal of time supporting local activities in the borough, spending some £75,000 on local issues.

Much of ICI's opinion-influencing work is done through organisations such as ABPI and EFPIA, the European federation. These organisations spend more of their time lobbying politicians about industry issues than targeting the general public.

ICI Pharmaceuticals does not seem to have the same poor environmental image as other ICI divisions elsewhere in the UK. Indeed, it is ironic that, while the chemical industry is held in such low regard, the pharmaceuticals companies do not seem to be tarred by the same brush. Many pharmaceutical companies also have chemical operations, although much smaller than Hoechst and ICI, but often seem happy to say quiet about it.

In the UK, most information about medicines is directed at the doctor rather than the patient. In the US, however, drug firms will sponsor advertisements that give the impression of being public-health information. Although the drug company's product will not be mentioned, the potential patient is urged to have his

European Commission has estimated that most pharmaceutical plants operate below two-thirds, and often below half, capacity.

Such manufacturing inefficiency represents some \$450-750m of lost revenues across the industry in Europe. For a typical multinational company with 12 formulations plants in Europe, this amounts to some \$10m of waste. Even higher savings could be achieved by adopting a systematic approach to restructuring manufacturing activities, and to streamlining distribution and packaging.

Ironically, such financial incentives are not the main driving-force behind the major rationalisations already underway. Political and environmental pressures are chiefly responsible – the stick being ever-more-potent than the carrot in the dismantling of nationalised structures.

The drive to create a single European market has reduced national governments' incentives to promote local manufacturing, and has prompted stricter environmental legislation that significantly affects manufacturing practice. The "cost plus" pricing formula that has pervaded several markets is being eclipsed by the EC's price-transparency directive, intended to smooth out the massive price differences for many products sold in different countries.

Environmental factors are the second key factor in these developments. As environmental standards become increasingly stringent across the board, so do the costs of compliance with these regulations. Solvent recovery systems and air pollution control measures are virtually essential at many formulations plants. At plants manufacturing intermediates or bulk active ingredients, the environmental protection

investment needs are even higher. Upgrading existing facilities can cost as much as 40 per cent of new manufacturing capital expenditure.

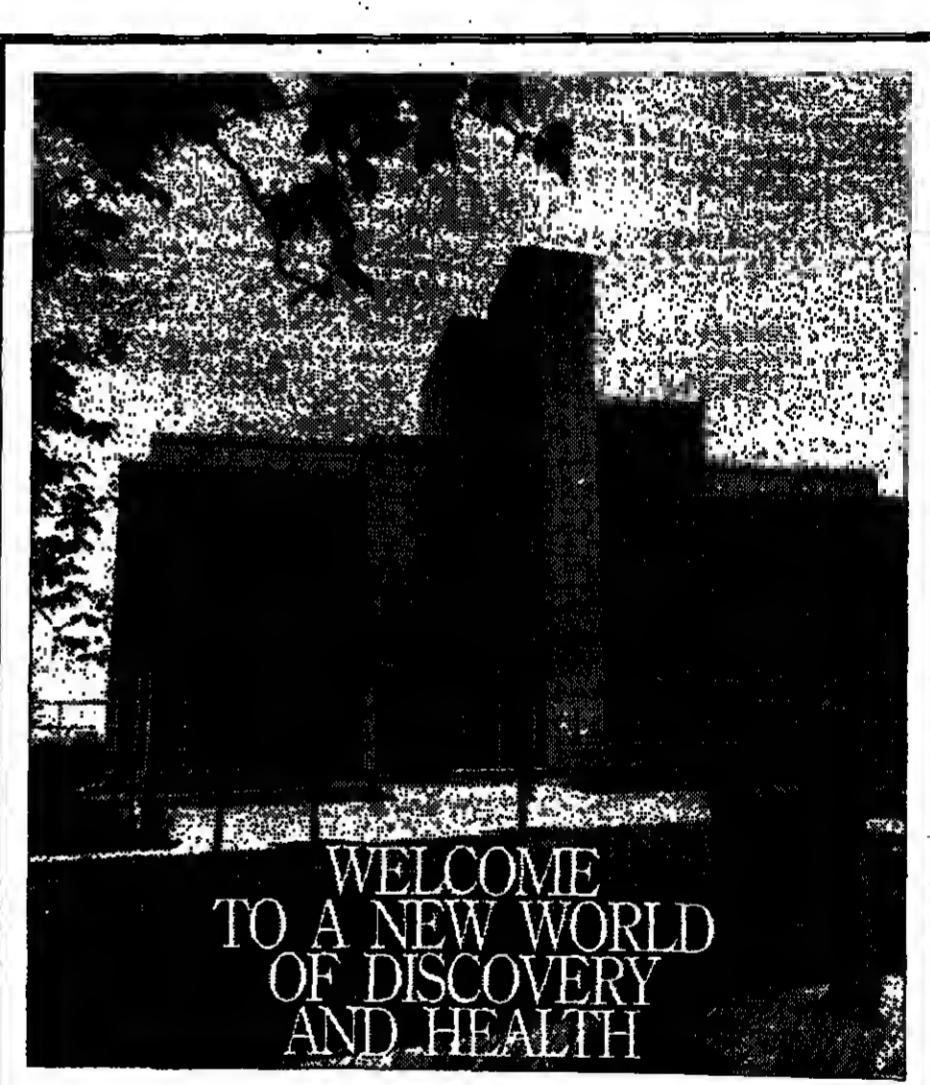
For operations involving the transport of intermediates or semi-finished materials between plants, environmental costs can be even higher: the European Inventory of Existing Commercial Chemical Substances regulations require the submission of toxicological data for approval to transport chemical intermediates, potentially costing in excess of \$100,000 a year per molecule.

Identification of plants to be phased out poses considerable problems for top management; in extreme cases, management is paralysed by the threat of performing such an unpleasant task and by the uncertainty about which sites to target. Moves are easiest when a company has more than one facility, as in Hoffman La Roche's case in its Brussels activities.

While generalisations are difficult, it is likely that a multinational enterprise will eventually have three to five manufacturing plants in Europe, out of a total of up to 10 plants worldwide. And it is likely that each plant will be specialised in terms of chemistry and/or formulation type.

It may take five to 10 years to achieve this type of configuration, even given the current wave of rationalisation. Nevertheless, increasing pressures on a rapidly maturing industry will inevitably result in a tight squeeze on pharmaceuticals manufacturing over the next decade.

**Anthony Walker and Michael Esposito**  
Members of the pharmaceuticals practice of management consultants Arthur D.Little



WELCOME  
TO A NEW WORLD  
OF DISCOVERY  
AND HEALTH

**RHÔNE-POULENC RORER**

Our new Chemical Research Laboratories in Essex, where the medicines of tomorrow are being discovered today. In a new company – Rhône-Poulenc Rorer – dedicated to the improvement of human health and the quality of life of people around the world.

## COURTAULDS ENGINEERING

Specialist project management and multi-disciplinary design capability for the pharmaceutical industry.

Single source responsibility for pharmaceutical projects; feasibility studies, process design, layouts, control and instrumentation, clean room technology and automated handling all through to project completion including regulatory assistance.

For a copy of our pharmaceutical brochure and further details, please contact:  
John Riddell  
Courtaulds Engineering Limited  
PO Box 11, Foleshill Road, Coventry CV6 5AB.  
Telephone: (0203) 688771; Fax: (0203) 686591.

## INSIDE

## Corporate earnings forecast to rise

Earnings estimates for the leading economies predict a sharp rebound in corporate profits next year for all but Japan and Italy, according to consensus analysts' forecasts gathered by the IBES research service. Page 18

## Bank takes stake in TV network

Westpac Bank of Australia has taken equity control of the Ten television network. Ten was placed in receivership last September, when its debts had grown to A\$455m (US\$325m). Page 20

**Shakeup at American Express**  
American Express, the US travel and financial services group, yesterday moved to create a new top management structure that includes the naming of Harvey Golub, vice chairman, as president of the company. Page 19

## Evode comes unstuck

Sticky times at Evode, the UK adhesives, coatings and plastics concern headed by Andrew Simon. Pre-tax interim profits dropped 53 per cent as demand fell from the building, consumer goods and motor sectors. Profits fell to £3m in the six months to March 30. Page 25

## Record for American Barrick

American Barrick Resources, the Canadian gold producer, posted record quarterly earnings and raised its estimate of 1991 output. The Toronto-based company, which last week called off merger talks with Newmont Mining, lifted second-quarter earnings to US\$24.6m or 19 cents a share from US\$14.4m or 11 cents. Page 19

## Sears cuts costs

Sears Roebuck, the world's largest retailer, reported improved second-quarter income of \$29.3m, partly due to cost-cutting in its core merchandise group. Page 19

## SBC reports 25% rise

Swiss Bank Corporation, Switzerland's second largest bank, yesterday reported a 25 per cent improvement to SF906m (US\$65m) in its first-half operating profit before write-offs, provisions and losses. Page 18

## Elf profits up 7%

Elf Aquitaine, the French state-controlled oil company, has reported a 7 per cent advance in first-half earnings. The company said net profits rose to an estimated FF4.2bn (US\$66m), compared with FF4.66bn in the same period of 1990. Page 18

## SIA seeks Qantas stake

Singapore Airlines (SIA) has declared to the Australian government its interest in acquiring a stake in Qantas Airways, the loss-making, state-owned carrier. Page 20

## Market Statistics

|                 | Bank                   | Assets (\$bn) |
|-----------------|------------------------|---------------|
| Bank of America | Citibank               | 217.3         |
| Bankers Trust   | Chemical               | 135.4         |
| Bank of America | First                  | 118.2         |
| Bankers Trust   | Nationwide             | 112.8         |
| Bankers Trust   | Citibank/Citibank/NBCN | 112.8         |
| Bankers Trust   | Chase                  | 98.4          |
| Bankers Trust   | J.P. Morgan            | 98.9          |
| Bankers Trust   | Security Pacific       | 80.4          |

## Companies in this issue

| Company              | Industry           | Country   | Market    |
|----------------------|--------------------|-----------|-----------|
| ABN Amro             | Banking            | Amsterdam | Amsterdam |
| American Barrick     | Mining             | Toronto   | Toronto   |
| American Express     | Financial services | New York  | New York  |
| Berkeley Govt        | Banking            | London    | London    |
| Bio                  | Pharmaceuticals    | London    | London    |
| Brent Walker         | Banking            | London    | London    |
| Centurion Industries | Banking            | London    | London    |
| Cofide               | Banking            | London    | London    |
| Dalkyo               | Banking            | London    | London    |
| Elf Aquitaine        | Oil                | Paris     | Paris     |
| Fitzwises & Furo     | Banking            | London    | London    |
| Fondiart             | Banking            | London    | London    |
| Hyundai Group        | Banking            | London    | London    |
| ICI                  | Banking            | London    | London    |
| Westpac Bank         | Banking            | London    | London    |

## Chief price changes yesterday

| Market         | Price       | Change | Price        | Change |
|----------------|-------------|--------|--------------|--------|
| FRANKFURT (DM) | PARIS (FFP) |        |              |        |
| Kal & Sitz     | 174 + 3     | 181    | 578 + 27     | 595    |
| Philia         | 184.5 - 4.7 | 184.5  | 275.8 - 13.5 | 262.3  |
| ATF            | 342.5 - 8.1 | 342.5  | 1019 - 55    | 964    |
| Philips        | 164.5 - 4   | 164.5  | 650 - 35     | 615    |
| Philips        | 164.5 - 12  | 164.5  | 707 - 33     | 674    |
| Schaeffler     | 501.2 - 8.8 | 501.2  | 460 - 14     | 446    |
| TOKYO (Yen)    |             |        |              |        |
| CSG            | 27 + 1.5    | 28     | 2420 + 222   | 2642   |
| Rock           | 254 + 1.4   | 255    | 1220 - 115   | 1105   |
| Philia         |             |        |              |        |
| Osaka          | 161.2 - 1.5 | 161.2  | 620 - 95     | 525    |
| Osaka          | 161.2 - 3.1 | 161.2  | 1210 - 10    | 1100   |
| Osaka          | 161.2 - 7.5 | 161.2  | 1620 - 200   | 1420   |
| Osaka          | 161.2 - 2.4 | 161.2  | 1730 - 15    | 1580   |

New York prices at 12.30pm.

| Market          | Price    | Change | Price    | Change |
|-----------------|----------|--------|----------|--------|
| LONDON (Pounds) | Stocks   |        | Stocks   |        |
| Barclays        | 72 + 4   | 76     | 580 + 26 | 606    |
| Barclays        | 58 + 4.2 | 62     | 288 + 28 | 316    |
| Barclays        | 58 + 12  | 60     | 257 + 5  | 262    |
| Central         | 222 + 12 | 234    | 535 + 5  | 540    |
| Charles         | 203 + 12 | 215    | 535 - 5  | 520    |
| Deutsche        | 51 + 5   | 56     | 78 - 7   | 71     |
| Deutsche        | 47 + 12  | 59     | 535 - 10 | 525    |
| Deutsche        | 527 + 10 | 537    | 564 - 10 | 554    |
| MTS             | 160 + 5  | 165    | 560 - 10 | 550    |
| Deutsche        | 165 + 10 | 175    | 560 - 10 | 550    |
| Deutsche        | 165 + 28 | 193    | 220 - 15 | 205    |

© THE FINANCIAL TIMES LIMITED 1991

Tuesday July 23 1991

## Delta shrugs off rival Pan Am routes bid

By Nikki Tait in New York

DELTAAirlines, the third largest US carrier, said yesterday it was pushing ahead with its plan to purchase Pan Am's remaining European routes and its east coast shuttle operation, despite a rival offer from the heavily-indebted Trans World Airlines, in conjunction with American Airlines.

Delta suggested that a definitive proposal could be put to the bankruptcy court – under whose protection Pan Am has been operating since January –

within "the next several days". The court would then hold a hearing on the matter.

Pan Am, which has already agreed the Delta deal in principle, confined itself to a terse statement confirming it had received TWA's offer. It said this would be studied along with all other proposals. American

had suggested comment.

Meanwhile, TWA announced it was calling off its ambitions to buy in debt securities at deeply-discounted levels, claiming

this was because of "substantial progress" in negotiations to restructure its \$1.2bn debts (excluding capital lease obligations).

Representatives of TWA's various creditor groups were meeting the company yesterday, but one adviser – heading for TWA's headquarters – stressed that the debt issue needed to be kept separate from any possible acquisition of Pan Am assets. "Bondholders will look at Pan Am, but the first order of business

is reorganising," said Mr Wilbur Ross from Rothschild, representing two groups of senior noteholders.

Under the TWA/American offer, TWA proposes to buy the same Pan Am assets as Delta for \$310m. However, \$30m of this comprised ticket liabilities which TWA would assume, and only \$280m refers to cash. Of the cash portion, TWA said that American would supply \$220m. The assets would then be split between American and TWA so that the

larger carrier receives the Pan Am shuttle, and the routes to Italy, Spain and Portugal. TWA would retain the London-Miami and London-Detroit routes; the Frankfurt hub and the east European authorities, and certain other assets and facilities.

TWA said it would match Delta's offer of a \$300m debtor-in-possession loan, and sponsor a "plan of reorganisation" for Pan Am's ongoing business through a \$140m equity infusion by itself and/or other outside investors.

Delta claimed its own offer was still preferable. It has bid \$260m cash for the European routes and the shuttle, but also offered to pick up certain ticket liabilities through to February 1992. The airline is also considering an equity investment in Pan Am's ongoing business, based on the Miami hub and Latin American routes.

Yesterday, the airline claimed its package offered more stability and said it would take on 6,000 Pan Am employees.

## McColl rides into big league

Martin Dickson reports on the merger between NCNB and C&S/Sovran

In the centre of the quiet North Carolina city of Charlotte, construction workers are almost finished building an imposing 60-storey skyscraper which local wits have dubbed the "Taj McCol".

The building is the new headquarters of NCNB, one of the fastest growing banks in the US, and its nickname is tribute to the ambitions of Mr Hugh McColl, NCNB's chairman. Yesterday he pulled off the biggest takeover deal in a career which has produced more than 100 of them, large and small.

NCNB, the seventh largest bank in the US in terms of assets, is to merge with C&S/Sovran, the 12th biggest, in a \$4bn deal which will make the combined institution the third largest in the US. Only two New York money centre banks will be bigger: Citicorp and Chemical Banking, following the planned merger with Manhattan rival Manufacturers Hanover, which was announced last week.

Two big deals in just two weeks mark a powerful acceleration in the merger wave sweeping through the US industry, as it grapples with a revolutionary combination of forces. These include legislative changes which are moving the country from a fragmented, state-based banking system towards a national one and the sickness of a sector struggling with a rising portfolio of bad loans.

However, the merger phenomenon is taking a wide variety of forms, the two extremes of which are encapsulated in the mega-deals of the past fortnight.

The Chemical Manufacturers Hanover merger is a defensive alliance between two weakened money centre banks – those based in leading money markets such as New York which have particularly large inter-bank and commercial lending operations.

The NCNB takeover of C&S/Sovran is an aggressive expansion by one of the most prominent

of the US "super-regionals". These are fast-expanding banks based in non-traditional centres such as Charlotte, or Columbus, Ohio, which concentrate on retail and middle-market commercial lending to regional customers.

Most banking analysts believe that consolidation of the US industry will see some of the most aggressive super-regionals emerge as leading national institutions, eclipsing several of the traditional money-centre powerhouses along the way.

The C&S/Sovran deal, which is

likely to be completed around the end of this year, will move NCNB a long way in this direction.

NCNB, with more than \$98bn in assets, has large operations in four southern states: North Carolina, South Carolina, Florida and Texas.

C&S Sovran, with some \$49bn in assets, also has a significant presence in South Carolina and Florida. It will bring to the merged group a strong presence in four other important southern and eastern markets: Virginia, Georgia, Maryland and Tennessee.

At \$85bn, the institution will have the largest domestic deposit base of any US bank.

"What is being created is one of the strongest customer franchises in US banking, running all the way from the mid-Atlantic to the Florida Keys," says Mr James

McColl, chairman of NCNB.

The celebrations at C&S proved short-lived, for the Virginia bank brought with it a troubled loan portfolio which has cast a long shadow over C&S/Sovran. This gave Mr McColl the chance to pounce a second time; and, on this occasion, he received a friendlier reception.

The financial difficulties of C&S are one potential problem facing the merged group. Earlier this month, the bank reported a \$152.6m increase in second-quarter

net non-performing assets to \$1.25bn, or 1.94 per cent of total loans. It warned that property problems in the Washington DC area were likely to continue.

Mr McColl has been immune from bad debt difficulties – including some embarrassing property problems in his back yard. These contributed to an 18 per cent drop in 1990 net income to \$365m. While Mr McColl moved rapidly to control the problem, NCNB's Wall Street reputation suffered.

Analysts also question whether NCNB has the depth of management to easily integrate C&S/Sovran, particularly since that institution has had little success in merging the components of its 1989 marriage.

Furthermore, the two institutions are culturally different: C&S is conservative and NCNB is brashly aggressive.

These differences are nowhere better summed up than in the personalities of the banks' chairmen – who were born six years and 60 miles apart in South Carolina.

Mr Bennett Brown, 62, man of the merged institution, is a quiet former bank examiner.

The 55-year-old Mr McColl, who will become chief executive, is an intense, intimidating figure given to military terminology – he used to keep a hand grenade on his desk – and outrageous pronouncements. He once offended Georgians by saying he was not going to follow "every pig path in the state" to create a big bank there.

Mr McColl will clearly be calling the shots in the merged institution. If he can integrate the two banks successfully, helped by a reviving US economy, yesterday's deal may only prove a staging post on the way to an even larger national institution. Not for nothing will the merged business be called NationsBank.



## Roche pays Cetus \$300m for rights to disease detector

By William Dullforce in Geneva and Karen Zagor in New York

ROCHE, the Swiss pharmaceuticals and chemicals group, is paying \$300m in cash to Cetus Corporation of California for the rights to the US company's polymerase chain reaction (PCR) technology. PCR technology promises to revolutionise the detection of infections or genetically transmitted diseases, such as AIDS, cancer and tuberculosis.

Cetus, one of the oldest and largest US biotechnology companies, will also receive royalties of up to \$30m if Roche's sales of PCR products exceed set levels. Roche said the acquisition confirmed its commitment to become a world leader in diagnostics. The agreement is still subject to approval by Cetus shareholders and by government authorities.

Once the sale of PCR technology is completed, Cetus will merge with another US biotechnology company, Chiron, in a stock swap deal which the companies value at about \$860m, including the assumption of \$145.5m of outstanding Cetus debt. The combined company will take the Chiron name.

Roche will develop, manufacture and market

## INTERNATIONAL COMPANIES AND FINANCE

## Rebound forecast in global profits

By Peter Martin

EARNINGS estimates for the leading economies predict a sharp rebound in corporate profits next year for all but Japan and Italy, according to consensus analysts' forecasts gathered by a US brokerage house.

The data, gathered by the IBES research service of Jones Lynch & Ryan, is based on thousands of individual company earnings forecasts from analysts around the world. They show that earnings per share growth of large companies is forecast to rise from 2.8 per cent this year to 11.9 per cent next year in the UK, from 0.9 per cent to 25

| CONSENSUS EARNINGS ESTIMATES |                     |                     |                |                |
|------------------------------|---------------------|---------------------|----------------|----------------|
|                              | Eps growth 1991 (%) | Eps growth 1992 (%) | P/e ratio 1991 | P/e ratio 1992 |
| Canada - TSE                 | 2.1                 | 37.8                | 16.3           | 11.8           |
| France - CAC 40              | 2.8                 | 14.5                | 11.5           | 10.1           |
| Germany - DAX                | 0.2                 | 7.9                 | 13.6           | 12.6           |
| Italy - BCI                  | 13.5                | 7.9                 | 16.2           | 11.4           |
| Japan - Nikkei               | 1.4                 | 3.0                 | 36.4           | 35.3           |
| UK - FT-SE                   | 2.8                 | 21.9                | 13.1           | 10.7           |
| US - S&P 500                 | 0.9                 | 25.0                | 15.7           | 12.6           |

Source: IBES as of June 20 1991 (local currencies)

per cent in the US; from 0.2 per cent to 7.9 per cent in Canada. Earnings growth will be much more sluggish in Japan, rising from 1.4 per cent to 3.0 per cent. In Canada. Earnings growth will be much more sluggish in Japan, rising from 1.4 per cent to 3.0 per cent.

In Italy, earnings growth will slow, from 13.5 per cent in 1991 to 7.9 per cent in 1992.

The figures suggest the FT-SE 100 index is selling on a 1991 price earnings ratio of 13.1 and a 1992 p/e ratio of just under 10.7. The S&P 500 has p/e ratios of 15.7 and 12.6; those for the German DAX index are 13.6 and 12.6; and Japan, where p/e ratios are traditionally high, has ratios of 36.4 for 1991 and 35.3 for 1992.

The estimates are based on figures in leading stock market indices, as at the end of June. The FT will carry the IBES estimates in this form every quarter.

## GEC-Alsthom posts flat earnings for year

By George Graham in Paris

GEC-ALSTHOM, the transport and power engineering company jointly owned by France's Alcatel Alsthom and General Electric of the US, has posted flat earnings for the year to March 31. It was the second full-year reporting period since the formation of the company.

GEC-Alsthom said net profits for the year totalled Ecu247m (\$216.5m), compared with Ecu240m in the previous year.

Pre-tax operating earnings advanced 18 per cent to

Ecus402m (\$352.6m), including Ecus141m of financial income, a 10 per cent increase on the previous year.

The group, whose businesses include the former power systems division of GEC and the TGV high-speed train business of Alsthom, said train turnover in the 1990-91 year was Ecus6.95bn, while new orders amounted to Ecus8.4bn.

By March 31, the company's outstanding order book showed an increase of around 13 per

cent to Ecus13.3bn.

• Sanofi, Elf's pharmaceuticals and cosmetics subsidiary, announced that its first half sales had remained flat at Frs1.55bn (\$1.6bn), with an advance in health care products and in gelatines and additives offsetting an 11 per cent decline in perfumes and beauty products.

The company said overall sales of health care products had risen 3 per cent to Frs6.15bn, but this was largely

because of an 11 per cent rise in Europe outside its domestic French market.

Sales to the Middle East and North Africa dropped by 31 per

cent. In the perfumes and cosmetics sector, sales dropped 18 per cent in the first quarter but recovered to close to last year's levels in the second quarter.

Sanofi said its Oscar de la Renta and Van Cleef & Arpels lines recorded higher sales growth.

## Bankers agree Brent Walker refinancing deal

THE financial restructuring of Brent Walker inching forward yesterday as all 47 banks in the main banking syndicate agreed in principle to the UK leisure group's refinancing, writes Maggie Urry in London.

However, some banks are still objecting to a requirement to put new money into the group, whose debts exceed £1.3bn (\$2.17bn). A loan of a further £70m of fresh capital is part of the plan, and £20m has already been lent. Fewer than five banks have still not contributed fresh money.

Once that issue is settled, the group must address other conditions which the banks are seeking to impose. Mr Ken Scoble, the new chief executive of Brent Walker, said last week that none of these conditions was insurmountable.

## ZF to build plant in east Germany

By Leslie Collett in Brandenburg

A LEADING west German vehicles components manufacturer, Zahnräderfabrik Friedrichshafen (ZF), plans to build one of Europe's most modern gearbox factories in east Germany.

Mr Klaus Peter Bleyer, chairman of the board of ZF, said the company would build the new plant at Brandenburg, near Berlin, next to the east German components-maker Zahnräderfabrik Brandenburg, which ZF recently bought from the Treuhand privatisation agency.

ZF will transfer production of gearbox boxes for light trucks from its factories in Friedrichshafen and Schwäbisch Gmünd in southern Germany, to Brandenburg, although without any job losses, he said.

Mr Bleyer said ZF would invest DM40m (\$29.4m) in the

east German plant over the next five years and had committed itself to retain 600 people out of the original workforce of 4,000.

The sale of the gearbox company to ZF was a major boost for the city of Brandenburg which is burdened with a large, inefficient steel plant which is threatened with closure.

The east German gearbox company had 3,000 employees in January last year when it was still part of the IFA truck Kombinat in Ludwigsfelde.

Nearly 1,300 people lost their jobs in the company by last October and several hundred workers will take early retirement, while jobs for 250 will be found with other companies.

Daimler-Benz is building a large truck factory at Ludwigsfelde outside Berlin.

Mr Bleyer said added capacity was not needed at a time of depressed demand for trucks. Instead, the aim was to modernise production facilities and this could be best achieved in the east.

He said ZF Brandenburg

could also supply gear

boxes for east Germany's IFA trucks, which in the past were

exported to eastern Europe as

well as to several armies in

Africa.

Sales of DM30m by the east

German company were expec-

ted this year, rising to between

DM70m and DM90m next year.

A first batch of gearboxes has

just been sent to Italy from the

Brandenburg factory.

ZF exported nearly four-

fifths of its own production

which was worth DM6.2bn last

year.

Mr Bleyer said added capacity was not needed at a time of depressed demand for trucks. Instead, the aim was to modernise production facilities and this could be best achieved in the east.

He said ZF Brandenburg

could also supply gear

boxes for east Germany's IFA trucks, which in the past were

exported to eastern Europe as

well as to several armies in

Africa.

Sales of DM30m by the east

German company were expec-

ted this year, rising to between

DM70m and DM90m next year.

A first batch of gearboxes has

just been sent to Italy from the

Brandenburg factory.

ZF exported nearly four-

fifths of its own production

which was worth DM6.2bn last

year.

Price NOK 83 Per Free Share  
(NOK 25 par value)

Merrill Lynch International Limited

Credit Suisse First Boston Limited

County NatWest Limited

Den norske Bank PLC

Sundal Collier Montagu A.S.

Kleinwort Benson Limited

Credit Lyonnais Securities

Dresdner Bank Aktiengesellschaft

Svenska Handelsbanken Group

## Elf posts 7% rise in first-half earnings

By George Graham in Paris

In Italy, earnings growth will slow, from 13.5 per cent in 1991 to 7.9 per cent in 1992.

The figures suggest the FT-SE 100 index is selling on a 1991 price earnings ratio of 13.1 and a 1992 p/e ratio of just under 10.7. The S&P 500 has p/e ratios of 15.7 and 12.6; those for the German DAX index are 13.6 and 12.6; and Japan, where p/e ratios are traditionally high, has ratios of 36.4 for 1991 and 35.3 for 1992.

The estimates are based on figures in leading stock market indices, as at the end of June. The FT will carry the IBES estimates in this form every quarter.



Baron Bich: family holds 46 per cent of the capital

## Bic breaks off talks with unidentified conglomerate

By William Dawkins in Paris

Operating income remained flat at Frs1.5bn, while net income before non-recurring items advanced slightly to Frs4.4bn.

Elf said the six-month period had included a capital gain on the sale of Rifs, its two heating businesses, and a prospective partner had broken off, just eight weeks after they started.

The French group, controlled by its two founders families, was approached at the end of May by an unidentified conglomerate keen to buy a minority stake.

Stock market speculation has suggested Sanofi, the US consumer products group, and Gillette, Bic's main competitor in the US shaver market, are among the possible candidates. But Bic has declined to name its suitor.

Bic's share price opened at Frs1631, 5.4 per cent below the previous day's close, but ended the day at Frs1650.

Refining and retailing operations experienced strong margins, Elf said, especially in the first quarter.

The Elf group continued to expand rapidly in the first half, with the \$1.35bn acquisition, in partnership with Enterprise Oil, of the North Sea assets of Occidental Petroleum, as well as the NKrlSba (\$278m) takeover of Norwegian independent Noco. It has also invested heavily in its refining operations, particularly to develop its capacity for lead-free petrol.

A price for the deal has not been disclosed, but the value of the stake is estimated at L25bn (\$18.8m).

The shares are part of equity held by a group of banks - including Citibank and Paribas

- which were involved in a management buy-out at Swedish Match last year.

Swedish Match is the world's largest producer of matches, operating in around 40 countries, with sales of about \$500m last year.

The company, which was established at the beginning of this century, is believed to have around 30 per cent of the world market for matches and 15 per cent of the market for cigarette lighters.

## Buoyant SBC reports 25% rise

By William Dulforce in Geneva

SWISS BANK Corporation, Switzerland's second largest bank, yesterday reported a 25 per cent improvement in SFr906m (\$585m) in its first-half operating profit before write-offs, provisions and losses.

Provided the stock market situation remained favourable, and the dollar stayed firm, the consolidated and parent bank cash flows for 1991 as a whole should be well ahead of last year's figures, SBC said.

Group cash flow fell 18 per cent to SFr1.63bn in 1990 while the parent bank's cash flow was 0.9 per cent down at SFr1.43bn.

In spite of its confident forecast of higher earnings this year, SBC warned that with most industrialised countries experiencing weak growth and with an economic downturn in Switzerland the need for write-downs and provisions was likely to rise.

Trading income and net interest earnings were the main contributors to the strong first-half growth in the bank's operating profit. Net interest earnings at SFr823m were 7.5 per cent ahead compared with the first six months of 1990 while income from commissions improved 6.4 per cent to SFr752m.

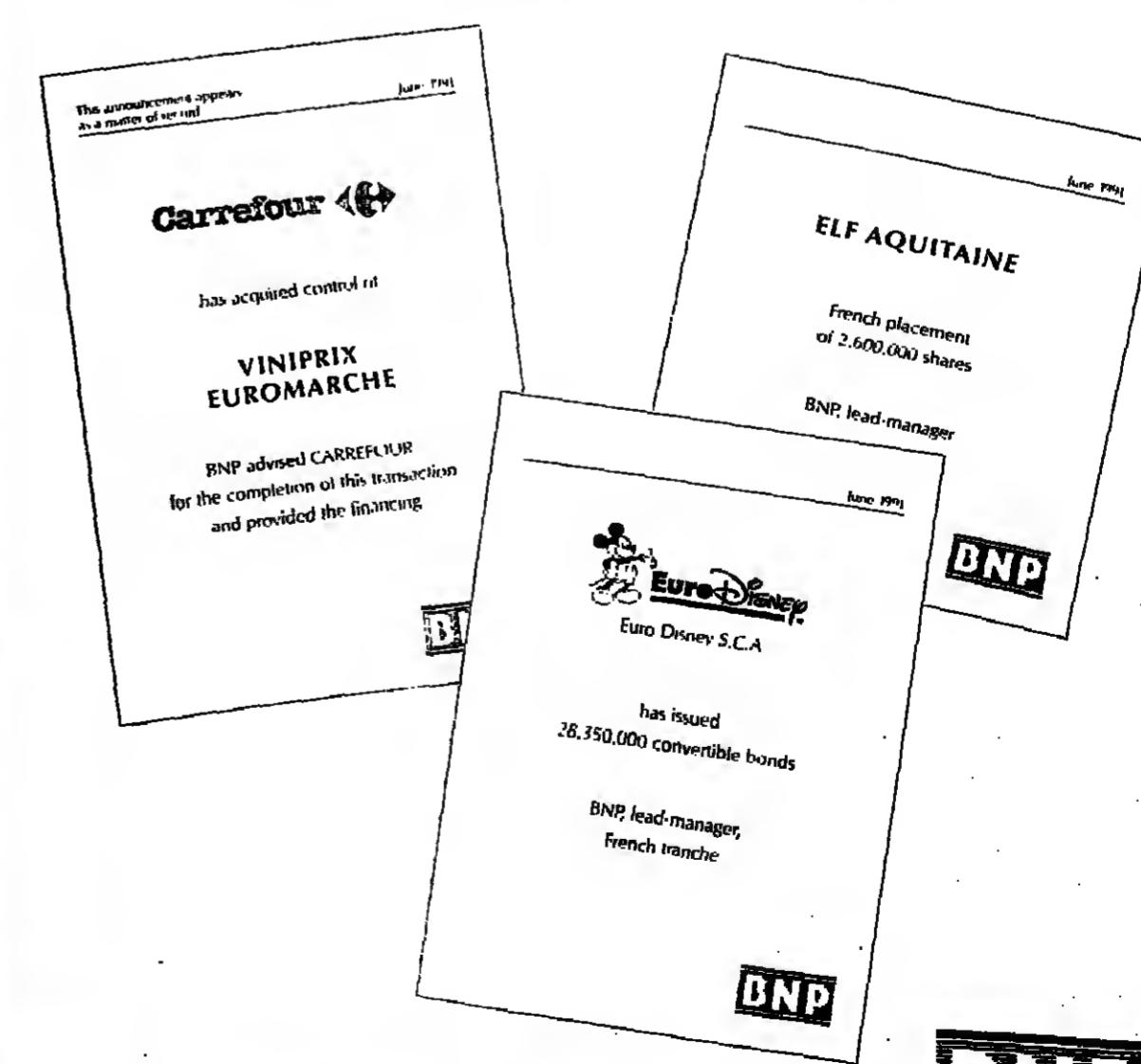
Portfolio management, custodian and syndication fees had recorded particularly strong growth, SBC said. But brokerage receipts failed to match last year's level. Currency and securities trading and fiduciary business generated substantially higher revenues.

An 8.6 per cent rise in operating costs during the first half is attributed to heavier tax charges and an inflation-prompted rise in personnel costs.

SBC's assets contracted during the second quarter to SFr171.7bn to give a first-half net increase of 3.1 per cent over the end-1990 level. Interbank lending was scaled back by almost 20 per cent, credit business lost momentum, while lending to customers rose 0.4 per cent to SF104.5bn.

On the liabilities side interbank deposits were also reduced sharply by 11 per cent, while non-bank deposits showed little overall change.

Leading corporations look to BNP to manage their key operations.  
Special thanks to Elf Aquitaine, Carrefour and Euro Disney in June 1991.



## INTERNATIONAL COMPANIES AND FINANCE

### Board shake-up at American Express

By Alan Friedman in New York

**AMERICAN EXPRESS**, the US travel and financial services group that has been facing declining profits, yesterday moved to create a new top management structure by naming Mr Harvey Golub, a vice-chairman, as president of the American Express bank subsidiary.

The appointment was made by Mr James Robinson, who has been criticised by some Wall Street investors for never having named a successor to Mr Lou Gerstner, the company's president who left American Express in the spring of 1989 to head RJR Nabisco.

Mr Robinson said the naming of Mr Golub "means there are now four eyes and four hands on the job". He said the appointment does not, however, mean the chiefs of subsidiary companies will report to Mr Golub instead of himself.

Mr Robinson said he is not splitting up line responsibility. Everybody is responsible to both of us and I, as chief executive, will have the final decision."

The 51-year-old Mr Golub made a name for himself by running American Express's

new office in the Travel Related Services (TRS) card and travellers cheque business, the IDS financial services unit, the information services division, Shearson Lehman Hutton and the American Express bank subsidiary.

Mr Robinson said the naming of Mr Golub "means there are now four eyes and four hands on the job". He said the appointment does not, however, mean the chiefs of subsidiary companies will report to Mr Golub instead of himself.

Mr Robinson acknowledged there had been criticism from investors, particularly in the year after Mr Gerstner resigned in 1989. But he said the company has gone through an evolutionary process and we are now formalising a

structure that has been in place for some time.

Mr Michael Blumstein, an analyst at Morgan Stanley, said there had been "some dissatisfaction in the investment community that a company the size of American Express does not have a Number Two executive". Other analysts have suggested Mr Robinson, whose philosophy has been to decentralise executive authority, has never really wanted a strong right hand.

Mr Robinson acknowledged there had been criticism from investors, particularly in the year after Mr Gerstner resigned in 1989. But he said the company has gone through an evolutionary process and we are now formalising a

structure that has been in place for some time.

Mr Golub has, in effect, been working as Mr Robinson's chief troubleshooter since last year, when he helped to rescue the troubled Shearson Lehman Hutton securities house. He has recently spent half of his time working with Mr Robinson in New York.

Among the most important challenges facing the new top manager will be the increasingly competitive pressure facing American Express in the charge card market.

In the first quarter of this year, the charge card and travellers cheque unit suffered its first drop in quarterly earnings in nearly a decade. The second quarter results, although not as poor as the first, also show a decline.

Without the charge, income was \$303.4m, or 88 cents, up 27.5 per cent on the same period last year, when income was \$237.9m, or 69 cents.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

### Record quarterly returns at American Barrick

By Bernard Simon in Toronto

**AMERICAN BARRICK** Resources, the Canadian gold producer, has posted record quarterly earnings and significantly raised its estimate of 1991 output.

The Toronto-based company, which last week called off merger talks with Newmont Mining of the US, lifted second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

The deferred tax charge of \$6.1m arises from accounting restrictions on recognising tax assets of the company's Allstate Insurance group. New rules expected to take effect in 1992 would allow the group to recover the previous charges.

Consolidated quarterly revenues were \$14.09m, up 1.7 per cent from \$13.85 last year.

In the merchandise group, second-quarter income increased to \$15.8m, or \$1.10m last year, though revenues declined to \$7.69m from \$7.88m.

The recession continued to affect sales, particularly of durable goods, which account for about two-thirds of Sears, Roebuck's domestic retail revenues.

The profit improvement came largely through cost reductions, including less advertising and lower distribution and selling expenses, achieved largely by cutting the workforce. The merchandise group's selling and administrative costs declined to \$2.13m from \$2.31m.

The company's Dean Witter Financial Services group contributed second-quarter net income of \$50.2m, compared with \$58.2m last year. Allstate Insurance's income, before the deferred tax charge, was \$139.8m, down from \$142.2m. The Coldwell Banker Real Estate Group reported a loss of \$3.1m for the year, against an income of \$7.3m last year.

For the first half of 1991, net earnings were \$11.3m, or \$1.21 a share, on sales of \$1.39m, against earnings of \$8.1m or \$0.94, with sales at \$1.06m.

**SAFECO**, the Seattle-based multi-line insurer, reported net income of \$51.2m or 82 cents a share, for the second quarter, against \$76m, or \$1.20, last year. Revenues were \$839.6m, up from \$791.8m last time.

In the first half, net income was \$106.3m, or \$1.70 a share, compared with \$123.2m, or \$2.09, per cent at \$1.43bn for the year. Sales were \$410.9m, compared with \$439.9m.

For the half-year to June, net income was \$29.4m, or \$1.53 a

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

### Share dealings suggest takeover threat for MUI

By Lim Siong Hoon in Kuala Lumpur

**MALAYAN UNITED INDUSTRIES**, the Malaysian conglomerate threatened by a takeover, may be facing several hostile bidders who have accumulated a combined shareholding of more than a 13 per cent.

The profit improvement came largely through cost reductions, including less advertising and lower distribution and selling expenses, achieved largely by cutting the workforce. The merchandise group's selling and administrative costs declined to \$2.13m from \$2.31m.

The company's Dean Witter Financial Services group contributed second-quarter net income of \$50.2m, compared with \$58.2m last year. Allstate Insurance's income, before the deferred tax charge, was \$139.8m, down from \$142.2m. The Coldwell Banker Real Estate Group reported a loss of \$3.1m for the year, against an income of \$7.3m last year.

For the first half of 1991, net earnings were \$11.3m, or \$1.21 a share, on sales of \$1.39m, against earnings of \$8.1m or \$0.94, with sales at \$1.06m.

**SAFECO**, the Seattle-based multi-line insurer, reported net income of \$51.2m or 82 cents a share, for the second quarter, against \$76m, or \$1.20, last year. Revenues were \$839.6m, up from \$791.8m last time.

In the first half, net income was \$106.3m, or \$1.70 a share, compared with \$123.2m, or \$2.09, per cent at \$1.43bn for the year. Sales were \$410.9m, compared with \$439.9m.

For the half-year to June, net income was \$29.4m, or \$1.53 a

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

Thanks to the strong performance of its flagship Goldstrike mine in northern Nevada, Barrick now expects to produce over 700,000 oz of gold this year, up from its earlier estimate of 625,000 oz. Production totalled 586,000 oz in 1990.

Goldstrike's second-quarter output was 135,600 oz, com-

pared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It reported second-quarter earnings to US\$24.5m, or 19 cents a share, from US\$14.4m, or 11 cents. Revenues jumped by 47 per cent to \$302.2m.

All of these securities having been sold, this announcement appears as a matter of record only.

July, 1991  
Concurrent Worldwide Offering

17,600,000 Shares

**AMBAC**

**AMBAC Inc.**

**Common Stock**  
(\$0.01 par value)

**Price U.S. \$20 Per Share**

This portion of the offering was offered outside the United States and Canada by the undersigned.

**3,000,000 Shares**

**Salomon Brothers International Limited**

**Daiwa Europe Limited**

**County NatWest Limited**

**Goldman Sachs International Limited**

**UBS Phillips & Drew Securities Limited**

**Morgan Stanley International**

**ABN AMRO**

**Conning International Inc.**

**Dresdner Bank Aktiengesellschaft**

**Société Générale**

**Vereins- und Westbank Aktiengesellschaft**

This portion of the offering was offered in the United States by the undersigned.

**14,600,000 Shares**

**Salomon Brothers Inc**

**Morgan Stanley & Co.**

**Incorporated**

**Bear, Stearns & Co. Inc.**

**The First Boston Corporation**

**Alex. Brown & Sons**

**Incorporated**

**Dillon, Read & Co. Inc.**

**Donaldson, Lufkin & Jenrette**

**Goldman, Sachs & Co.**

**Incorporated**

**Hambrecht & Quist**

**Kidder, Peabody & Co.**

**Lazard Frères & Co.**

**Incorporated**

**Lehman Brothers**

**Merrill Lynch & Co.**

**Montgomery Securities**

**Incorporated**

**PaineWebber Incorporated**

**Prudential Securities Incorporated**

**Robertson, Stephens & Company**

**Smith Barney, Harris Upham & Co.**

**Incorporated**

**S.G. Warburg Securities**

**Wertheim Schroder & Co.**

**Dean Witter Reynolds Inc.**

**Incorporated**

**Daiwa Securities America Inc.**

**UBS Securities Inc.**

**Incorporated**

**Allen & Company**

**William Blair & Company**

**Conning & Company**

**Incorporated**

**Dain Bosworth**

**A.G. Edwards & Sons, Inc.**

**Kemper Securities Group, Inc.**

**Incorporated**

**McDonald & Company**

**Oppenheimer & Co., Inc.**

**Piper, Jaffray & Hopwood**

**Incorporated**

**Tucker Anthony**

**Capital Markets**

**Wheat First Butcher & Singer**

**Incorporated**

**Advest, Inc.**

**Arhold and S. Bleichroeder, Inc.**

**Baird, Patrick & Co., Inc.**

**Incorporated**

**George K. Baum & Company**

**The Chicago Corporation**

**Cowen & Company**

**Incorporated**

**Crowell, Weedon & Co.**

**Doft & Co., Inc.**

**Fahnestock & Co. Inc.**

**Incorporated**

**First Albany Corporation**

**First Equity Corporation**

**First Manhattan Co.**

**Incorporated**

**First of Michigan Corporation**

**Fox-Pitt, Kelton Inc.**

**Freemark Blair & Company, Inc.**

**Incorporated**

**Gabelli & Company, Inc.**

**Grunthal & Co., Incorporated**

**Incorporated**

**Howard, Weil, Labouisse, Friedrichs**

**Incorporated**

**Janney Montgomery Scott Inc.**

**Incorporated**

**Edward D. Jones & Co.**

**Ladenburg, Thalmann & Co. Inc.**

**Mabon Securities Corp.**

**Incorporated**

**Needham & Company, Inc.**

**Ragen MacKenzie**

**Raymond James & Associates, Inc.**

**Incorporated**

**Scott & Stringfellow Investment Corp.**

**Seidler Amdec Securities Inc.**

**Incorporated**

**Stifel, Nicolaus & Company**

**Sutro & Co. Incorporated**

**Wedbush Morgan Securities**

**Incorporated**

**INVITATION TO TENDER**  
**Duty Free and**  
**Sales Tax Free**  
**Concession**

**FAC**  
Federal  
Airports  
Corporation

Sydney (Kingsford Smith) Airport, Australia

Tender No. NS9/1

Here is an outstanding opportunity to develop, manage and operate the INTERNATIONAL DUTY FREE AND SALES TAX FREE CONCESSION AT SYDNEY (KINGSFORD SMITH) AIRPORT, the Gateway to Australia.

This concession which will operate in both the existing International Terminal Building as well as the extension currently under construction, will launch Sydney Airport's Duty Free business into the 21st Century. Interested parties must be able to demonstrate suitable qualifications and experience within the Duty Free industry, adequate financial resources, a commitment to quality merchandise and high standards of customer service and with a strong desire to be dynamic in this very competitive industry.

TENDERS ARE TO BE LODGED WITH SYDNEY AIRPORT'S COMMERCIAL DEVELOPMENT DEPARTMENT BY 3:00 PM THURSDAY 5 SEPTEMBER 1991.

Tender documents will be available on receipt of NON-REFUNDABLE fee of \$A500 per copy by contacting Mr Chris Glazier of the Commercial Development Department, FAC House, Corner King Smith Avenue and Seventh Street, Sydney Airport (PO Box 63 Mascot NSW 2020 Australia) or by telephoning 612 667 9100 or facsimile 612 667 1592.

**Butterworths**  
**Soviet & East**  
**European Business**  
**Law Bulletin**

**A vital quarterly**

**bulletin**

\* Written by leading international legal experts

\* Monitoring change in East - West business law

\* Providing detailed analysis

\* and guaranteed quality

For further information, telephone Jane Wilson on 071 - 405 6900 extn 4308

**USS200,000,000**  
**ML TRUST VI**

**Collateralized Mortgage Obligations**

**Flotex Class A Bonds**

In accordance with the provisions of the Bonds, the interest rate will be fixed at 6.625% for the Nineteenth Flotex Interest Period of 20th July 1991 through to 19th October 1991. Interest accrued for the Flotex Interest Period is expected to amount to US\$3.29 million.

PRINCIPAL PAYING AGENT

Texas Commerce Trust

Company of New York

50 Broad Street

New York, New York 10004

PAYING AND

TRANSFERS AGENT

Citcorp Investment Bank

16 Avenue Marceau

L-2012 Luxembourg

Merrill Lynch International

Bank Limited

Agent Bank

## INTERNATIONAL COMPANIES AND FINANCE

### Westpac acquires equity control of Ten Network

By Mark Westfield in Sydney

WESTPAC Bank of Australia has ended months of speculation by taking equity control of the Ten television network.

Ten was placed in receivership last September, when its debts had grown to A\$455m (US\$325m). Broadcast Australia, manager of Ten and owner of about 19 per cent of its shares, was accumulating further losses at a rate of A\$5m a week.

Announcing Westpac's purchase yesterday, Sir Eric Neal, chairman, said the bank "has committed itself to owning and developing the Ten Network. Ten is off the market".

The network's receiver, Mr James Millar, of Ernst & Young, had earlier called for expressions of interest but had received only one potential bid, from the Grundy Organisation, the TV production house, which then failed to make a firm offer.

Yesterday's purchase of Ten for an implied value of A\$240m will force loan write-offs of about \$200m on the \$350m in principal and interest which has been accrued by Ten.

A Westpac subsidiary, Television Australia, will take up 65 per cent of the 5 per cent repurchase of A\$10,000, while banks owed A\$725m would own the remaining 30 per cent.

Mr Frank Conroy, Westpac managing director-elect, said yesterday the 5 per cent repurchase represented a "reasonable rate of interest which can be met from cash flows".

The transaction is subject to approval by the Australian Broadcasting Tribunal.

Westpac recently converted a NZ\$40m loan to New Zealand's commercial TV network, TV3, at 10 per cent equity.

The 10-year loan notes will attract interest of one 5 per cent. Ten is expected to earn about \$12m before interest and tax this financial year, which would be just enough to ser-

vice the interest on the notes. Mr Frank Conroy, Westpac managing director-elect, said yesterday the 5 per cent repurchase of A\$10,000, while banks owed A\$725m would own the remaining 30 per cent.

The Seven Network went into receivership in November 1989, with the collapse of its parent, Qantas Australia, once controlled by businessman Mr Christopher Skase.

The leading commercial network, the Nine Network, is 39 per cent controlled by Mr Kerry Packer, who is part of a syndicate trying to buy Australia's Fairfax newspaper group.

</div

Singapore  
Airways  
seeks stake  
in QantasBy Joyce Quist  
in Singapore

UK GOVERNMENT bond prices rose sharply yesterday as trade figures move into surplus

By Simon London in London and Patrick Harverson in New York

FINANCIAL TIMES TUESDAY JULY 23 1991

## INTERNATIONAL CAPITAL MARKETS

## UK bonds rally as trade figures move into surplus

By Simon London in London and Patrick Harverson in New York

## BENCHMARK GOVERNMENT BONDS

|             | Red    | Coupon | Rate     | Price  | Change | Yield | Week  | Moody's |
|-------------|--------|--------|----------|--------|--------|-------|-------|---------|
| AUSTRALIA   | 12,000 | 11/01  | 106.2225 | -0.258 | 10.97  | 10.93 | 11.18 |         |
| BELGIUM     | 10,000 | 08/00  | 103.1500 | -      | 9.47   | 9.37  | 9.58  |         |
| CANADA      | 0.750  | 08/00  | 98.4250  | -0.400 | 9.98   | 9.98  | 9.98  |         |
| DENMARK     | 9,000  | 11/00  | 97.8000  | -0.100 | 9.34   | 9.28  | 9.30  |         |
| FRANCE      | 8,000  | 02/96  | 98.9800  | -0.071 | 9.26   | 9.21  | 9.23  |         |
| GERMANY     | 8,000  | 01/90  | 101.3400 | -0.070 | 9.18   | 9.09  | 9.18  |         |
| ITALY       | 8,375  | 05/01  | 98.3700  | +0.070 | 8.50   | 8.53  | 8.51  |         |
| JAPAN       | No 119 | 4/80   | 98.0000  | -0.180 | 13.34  | 13.23 | 13.21 |         |
| No 123      | 4/80   | 03/95  | 98.1400  | -0.134 | 6.74   | 6.72  | 6.80  |         |
| NETHERLANDS | 8,500  | 01/90  | 97.8800  | -0.060 | 8.58   | 8.76  | 8.64  |         |
| SPAIN       | 11,900 | 07/98  | 99.3500  | -0.125 | 12.08  | 11.82 | 12.07 |         |
| UK GILTS    | 10,000 | 11/98  | 98.9800  | -0.020 | 10.28  | 10.26 | 10.44 |         |
| 9,000       | 09/98  | -2/22  | 98.9800  | -0.020 | 10.20  | 10.20 | 10.38 |         |
| 9,000       | 09/00  | -2/22  | 98.9800  | -0.020 | 9.95   | 9.95  | 10.00 |         |
| US TREASURY | 8,000  | 05/01  | 98.03-03 | -1.02  | 9.28   | 9.28  | 9.28  |         |
| 8,125       | 05/01  | 95-03  | 98.03    | -0.445 | 9.48   | 9.45  | 9.46  |         |

London closing... denotes New York morning session. Technical Data/ATLAS Price Scores

Prices: US, UK in £m... others in decimal

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

Yields: Local market standard

## INTERNATIONAL CAPITAL MARKETS

## Japanese Euro deals well received in quiet market

By Tracy Corrigan

FINANCINGS in the Eurobond market by two Japanese companies were well received by investors yesterday, in an otherwise subdued market.

Tokyo Electric Power, Japan's largest company, and Toyota Credit Canada, an arm of Toyota, both priced their offerings attractively, dealers said, against a background of narrow secondary market spreads.

The Teepco deal, a \$500m seven-year Eurobond via Goldman Sachs, was priced to yield 4.7 basis points above the US Treasury yield, which compared favourably with deals in the secondary market, where spreads are very tight.

It is Japan's biggest company and its previous deals have been rather illiquid. This was large enough to get institutional investors interested, one dealer said.

Traders reported firm demand in Europe, as well as in the Far East, where many of Teepco's previous deals have tended to gravitate. Goldman estimated that around 60 per cent of the deal was placed with European investors.

Although swap spreads are not attractive at the moment, dealers said that Teepco was able to swap the proceeds of the deal into fixed-rate yen at a rate competitive with its target of around 6.9 per cent semi-annually in the Japanese domestic market.

Toyota Credit Canada's small \$610m offering via Hambros Bank performed

strongly. From a launch spread of 47 basis points above the five-year Canadian Treasury, the deal had tightened to 40 by the end of the day.

Canadian bond prices rallied strongly last week and when the domestic market fell back on Friday, Eurobond spreads were driven tighter.

Toyota's issue was priced attractively compared with the secondary market, and also provided investors with a strong corporate credit as an alternative to the string of Canadian provinces and other government bodies.

There was no currency swap involved, but the deal included a complex interest-

## INTERNATIONAL BONDS

strongly. From a launch spread of 47 basis points above the five-year Canadian Treasury, the deal had tightened to 40 by the end of the day.

Canadian bond prices rallied strongly last week and when the domestic market fell back on Friday, Eurobond spreads were driven tighter.

Toyota's issue was priced attractively compared with the secondary market, and also provided investors with a strong corporate credit as an alternative to the string of Canadian provinces and other government bodies.

There was no currency swap involved, but the deal included a complex interest-

## NEW INTERNATIONAL BOND ISSUES

| Borrower                    | Amount m. | Coupon % | Price  | Maturity | Fee       | Book runner           |
|-----------------------------|-----------|----------|--------|----------|-----------|-----------------------|
| US DOLLARS                  |           |          |        |          |           |                       |
| Tokyo Electric Power Co.(a) | 500       | 8 1/2    | 99.73  | 1998     | 32.50p    | Goldman Sachs         |
| Mitsubishi Kasei Corp.(a)   | 300       | 4 1/2    | 100    | 1995     | 2 1/2-1/2 | Nikko Secs.           |
| CANADIAN DOLLARS            |           |          |        |          |           |                       |
| Toyota Credit Canada(a)     | 100       | 10 1/2   | 101.20 | 1998     | 1 1/2-1/2 | Hambros Gk.           |
| D-MARKS                     |           |          |        |          |           |                       |
| Toyo Shutter(a)             | 70        | 5        | 100    | 1995     | 2 1/2-1/2 | Nikko Secs.GmbH       |
| LIRE                        |           |          |        |          |           |                       |
| Nordbanken(a)               | 150bn     | zero     | 80.55  | 1993     | 1.1/1     | Eca.Nazionale d'avoro |

(a)=Private placement, (b)=Convertible, (c)=With equity warrants, (d)=Floating rate note, (e)=Final terms, (f)=Non-callable.

## Cofide buys back Finanza &amp; Futuro

## Singapore move for UBS

By Joyce Quek in Singapore

COFIDE, the Italian holding company of the Carlo De Benedetti empire, has repurchased the financial services group Finanza & Futuro from Fondiaria, the Italian insurance company, Reuter reports from Milan.

Finanza & Futuro was part of insurance group Compagnia Latina Assicurazioni, which Cofide sold to Fondiaria in May. Fondiaria said then it would sell back Finanza & Futuro for L100bn (\$75.5m).

UNION Bank of Switzerland is to set up a merchant banking operation in Singapore, to be known as UBS (East Asia).

"The move is in line with UBS' plan of broadening its scope of financial services in the region. There is a tremendous need for global and specialised financial services," said Mr Lim Ho Kee, the bank's East Asia chief executive.

UBS (East Asia) will use the group network to underwrite and place equity, equity-linked and debt issues. "We are already working on several transactions," the bank said.

UBS (East Asia) will have a paid-up capital of \$50m

(\$28.9m). Mr Lim said the move reflected UBS' recent reorganisation, whereby control and delegation of authority and responsibility had been decentralised to autonomous business regions.

UBS (East Asia) will use the group network to underwrite and place equity, equity-linked and debt issues.

"We are already working on several transactions," the bank said.

## Canadian broker buys unit of Dean Whitter

By Robert Gibbons in Montreal

MIDLAND WALWYN is cementing its position as Canada's biggest retail brokerage with acquisition of Dean Whitter Reynolds (Canada) from its US parent, Dean Whitter Financial Services.

The deal also marks the departure of the last of the US retail brokerage from Canada. A score of US firms, including Merrill Lynch, have pulled out of Canada or have severely pruned operations since the October 1987 market crash.

At the same time, Canadian deregulation of financial services since 1988 has led to the takeover of the leading Canadian full service brokerages by the big chartered banks.

Midland Walwyn, the result of a recent merger, said it would pay with up to 3m shares worth around C\$100m (US\$85m) for the Dean Whitter Canadian operation. This will give Dean Whitter of the US a 10 per cent shareholding in Midland Walwyn.

Dean Whitter Canada has nearly 200 registered representatives in 12 offices across Canada, serving retail clients primarily. The deal will bring Midland's total representatives to about 900 across the country.

Midland Walwyn already has several big Canadian institutional shareholders and its stock is publicly held. Shares were trading around C\$1.15 in the market after the alliance with Dean Whitter was announced.

Rival houses say Dean Whitter sold out because the cost of doing business in Canada was too high.

• BCE Development, the troubled north American office developer, reduced operating losses for the first quarter of this financial year but continued to be weighed down by a C\$2.6m debt.

In the first quarter ended March 1991, the company recorded a loss of C\$13m, against a C\$19.9m loss a year earlier.

BCE's restructuring, including conversion of the C\$726m loan to equity, has been delayed until 1993.

The Caribbean Investment Fund will provide a source for the expansion of companies in the region, through investment in equities in all Commonwealth countries. At their annual meeting this month, the heads of government of the Caribbean Economic Community (Caricom) approved the establishment of

the fund, capitalised at about US\$60m.

The fund will invest in equities in all Commonwealth countries. The portfolio will include listed and unlisted stocks, including unquoted companies wanting funds for expansion and under-capitalised.

The new fund will come into play almost immediately as state enterprises throughout the Caribbean continue their investment.

Only three countries — Jamaica, Trinidad and Tobago and Barbados — have stock markets, while the Guyana government is planning one.

The fund will also invest in countries without a local stock market, including the smaller islands of the

eastern Caribbean.

Regional business leaders see in the new fund an opportunity for adjusting the large structural problems facing many companies. Most Caribbean companies are highly geared and under-capitalised.

The new fund will come into play almost immediately as state enterprises throughout the Caribbean continue their investment.

Establishment of the Caribbean Investment Fund comes as concern mounts over a reduction in the volume of private and public investment flows from the industrialised countries.

A representative office is also planned in Bangkok as part of ABN Amro's strategy.

## RTC sells failed thrift to SecPac

By Patrick Harverson in New York

SECURITY PACIFIC, the California banking group, yesterday agreed to buy Southwest Savings & Loan Association from the Resolution Trust Corporation (RTC), the government agency handling the rescue of the collapsed US thrift industry.

Southwest has been held by the RTC since February 1989.

Security Pacific Bancorporation and SecPac were one of 10 institutions which bid for the thrift. The RTC said the SecPac bid won because it was the least costly of the proposals submitted.

The RTC will advance an estimated \$1.36bn to SecPac

and will retain approximately \$10.9bn of the closed institution's assets.

Although the RTC will recover part of its advance from the sale of assets to be held in receivership, the final cost to the agency is estimated at \$141.1m.

The sale of the thrift to SecPac enabled Southwest's branches to open for business yesterday, with its deposits insured by the Federal Deposit Insurance Corporation, the government body which insures the

nation's bank deposits.

Since it began sorting out the failed savings and loan industry, the RTC has closed or sold 446 thrifts and completed asset sales and collections worth more than \$16bn.

About 14.7m insured depositors and \$141bn in deposits have been saved by the agency's closure of insolvent thrifts. The cost to the taxpayer has been about \$39.5bn, but experts estimate the final total could be as much as \$160bn.

## ABN Amro expands in S Korea

By Ronald van der Krol in Amsterdam

ABN AMRO, the Netherlands' largest bank, has acquired the Seoul office of Chemical Bank of the US, roughly doubling the size of the Dutch bank's operations in South Korea.

Terms of the deal, which takes effect immediately, were not disclosed. Following the acquisition, ABN Amro's assets in South Korea now stand at around Fl 800m (\$400m), approximately twice as much as before.

ABN Amro has had its own office in South Korea since 1979. Both ABN Amro and Chemical Bank concentrate on the corporate finance market in South Korea.

ABN Amro first approached Chemical Bank about a possible deal after the US bank decided in January to close its Seoul office. Dutch and Korean regulatory authorities gave their approval earlier this month and the contract was signed at the weekend.

Last week, Chemical Bank and Manufacturers Hanover announced plans to merge to create the second-largest bank in the US.

ABN Amro also said yesterday it would become the first Dutch bank to have a representative office in Shanghai after winning approval from authorities in China. The bank opened a similar office in Peking five years ago.

A representative office is also planned in Bangkok as part of ABN Amro's strategy.

## Court rules on Federconsorzi

By Halg Simonian in Milan

A ROMA court yesterday gave its approval in principle to the judicial procedure to wind up the affairs of Federconsorzi and begin repaying creditors.

Federconsorzi, which is owned some \$100m (\$220m) by the troubled Italian farm services group.

Having now accepted that argument on the basis of preliminary information in the case of Federconsorzi, the Rome court will now commission detailed valuation work on the group's assets to assess precisely what proportion of

the assets can be repaid.

As a result, the necessary meeting of Federconsorzi's creditors, at which holders of at least two-thirds of its borrowings must approve the procedure, will not take place until January 29 next year, according to the court.

Under the composition procedure, a company can seek

temporary protection from creditors, provided it can convince a court that it is in a position to repay at least 40 per cent of its borrowings within six months.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors decide at January's meeting to accept the partial reimbursement, the court would then authorise the repayment of creditors. In the meantime, the 2,500 creditors,

888 of which are owed more than L30bn each, are expected to form one or more committees representing their interests.

Foreign banks have threatened to take legal action should the court's decision to accept a judicial composition procedure reveal negligence or fraudulent behaviour by the company or those associated with it.

However, some foreign bankers say that court supervision of the asset sales under the composition procedure should at least improve the chances of transparency.

Should enough of Federconsorzi's creditors

Nation's bank deposits. Since it began sorting in the failed savings and loans, the PTO has sold or sold off \$45 billion worth of previous assets worldwide. Above \$100 billion in deposits and \$100 billion in assets have been sorted by the agency's structure of insolvent firms. The cost to the taxpayer has been about \$10 billion, but experts estimate the total could be as much as \$20 billion.

## ABN Amro expands in S Korea

By Ronald van der Kooij  
in Amsterdam

ABN AMRO, the Netherlands' largest bank, has completed its US acquisition of Chemical Bank of the US, roughly doubling the size of its Dutch and German operations in South Korea.

Terms of the deal, which was signed after negotiations and disclosed following acquisition, ABN Amro assets in South Korea are around \$1.5 billion, up from approximately \$800 million in 1990.

ABN Amro has had a presence in South Korea since 1975. Both ABN Amro and Chemical Bank announced the acquisition earlier this month.

ABN Amro has approached Chemical Bank about a possible deal. After the US deal was completed in Germany, the two Dutch and US regulatory authorities gave approval earlier this month to the merger of the two.

Both Chemical and ABN Amro have plans to expand their operations in South Korea.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

acquire a 25 per cent

share in a joint venture

between ABN Amro and

the South Korean

government.

ABN Amro has also

recently agreed to

## CHANGES AT ICI

## Moving ahead of the pack in global management

Robert Peston reports on progress of coming to terms with the legacy of a complicated structure

IMPERIAL CHEMICAL Industries detected three years ago that the key financial ratios of its paints business were deteriorating. Profits were steady. But its return on capital was falling and the ratio of fixed costs to sales was rising.

Mr Ronnie Hampel, the main board director responsible for paints, reacted quickly to cut overheads. The reward has been that in the declining markets of 1990 and 1991, when paint sales volumes have fallen 6 per cent in both periods, profits of the division have been rising, albeit modestly.

But not all the divisions had such foresight. ICI's total profits are falling sharply. Mr Stuart Wansley, a chemical industry analyst, says that ICI neglected to keep its costs under control in the buoyant conditions of the late eighties.

The worldwide workforce was cut by 50,000 to 175,000 between 1980 and 1985, when ICI was chaired by Sir Maurice Hodgeson and then Sir John Harvey-Jones. "After Sir John retired, ICI reduced its attack on costs," Mr Wansley says.

Divisions were also complacent, he adds. But the impact was worse for ICI, because many of its operations are based in the high inflation economy of the UK. Extrapolation from official statistics suggests that the cost of labour for each unit of production was more than twice as fast at ICI than at the US chemical companies between 1987 and 1990.

The damage done by the swollen overheads was worse because ICI's board was surprised by the speed of economic decline. Though ICI has begun to restructure and 20,000 jobs are likely to go from the current total of 132,000, it did not prune quickly enough.

Management controls were "relatively undisciplined", in the words of an ICI director. This was the legacy of a complicated management structure, which divided financial responsibilities in a confusing way between territorial managers and business managers.

So last summer, Sir Denys Henderson, ICI's chairman, asked Mr Hampel to prepare a policy document on management reforms. A new management structure was announced in outline in February and its four main aims were summarised on the cover of Mr Hampel's plan:

- to create a closer working relationship between the chief executives running the seven divisions and the nine executives on the main board;
- to increase the financial accountability of the divisions to head office;
- to exploit the international nature of most businesses;
- to put a greater emphasis on increasing the wealth of ICI's shareholders.

The previous big management change came between 1983 and 1985, under the chairmanship of Sir Denys's predecessor, Sir John Harvey-



Jones. Sir John inherited a cumbersome board comprising 18 executive directors, most of which had responsibility for a single division and relied on the divisional chief executive for information.

What this meant in practice was that the divisional chief executive was rarely in direct contact with the main board. "There were too many layers between the board and the manager," comments Mr Wansley.

Sir John halved the number of board executives — there were no new board appointments between 1979 and 1985 — and also reduced the number of divisions. Chief executives of the divisions were asked to make their own presentations to the board during annual budget meetings at the end of November, which have become known in the company as "hell fortnight".

## Advanced plastics prove too expensive

ICI's CURRENT reorganisation involves the abandonment of huge investments the company has made in advanced plastics, which it had hoped would eventually replace special steels and thermo-set composite materials in the manufacture of aeroplanes and automobiles, writes Robert Peston.

It has just announced it is pulling out of the production of Poly-Ether Sulfone, or PES, which is a non-flammable engineering thermoplastic (ETP).

ICI is closing a plant immediately at Fayetteville, North Carolina, although the British manufacturing site at Hillhouse, Lancashire, will continue producing for another year.

Mr David Oxley, a director of Chem Systems, the chemical industry consultancy, says ICI's biggest mistake in its PES venture was in not putting enough resources into marketing the product. As a result, it allowed General Electric to gain a stranglehold on the automotive market with a competitive product.

Analysts say ICI invested a total of \$100m over a decade in developing this product alone. It is not pulling out all advanced materials, but total write-offs are likely to be far bigger when it has completed the reorganisation of these operations.

The director of a rival chemicals company says that all materials manufacturers under-estimated how long it would take for the new thermo-plastics to become commercially successful. "The appropriate time horizon was really 15 to 20 years, not five years," he says.

He adds that they failed to recognise the inertia of customers in the aerospace and automotive industries, who had only just got used to replacing aluminium with thermo-set composites made of carbon fibre and were not ready for a further change.

ICI trusted that the technological superiority of its thermo-plastics would automatically generate sales.

A director says the company failed to appreciate that many advanced plastics were not significantly different from a host of competing products.

But if ICI could be forgiven for that mistake, it did make one serious strategic error. It paid too much for Fibreite, a producer of thermo-set materials in their unfinished state, or pre-preg.

Fibreite was bought in 1984

## Dividend policy unlikely to create shareholder loyalty

## IF ICI faces a hostile takeover bid, it will not be able to rest its defence on its financial performance. Its record of rewarding shareholders over the past decade is only marginally better than the average for its industry writes Robert Peston.

In the ten years from 1981 to 1990, ICI's dividends were increased at an annual compound rate of 12.5 per cent. That is significantly faster growth than was managed by all its main competitors in the chemical industry.

But performance does not look nearly so good if adjustment is made for inflation. In real terms, ICI's dividends were raised 6 per cent a year, which still compares well with a 2 per cent real annual increase achieved by Du Pont, the biggest US chemicals group.

However, ICI's payout rate is not significantly superior to the big German chemical groups, Bayer, Hoechst and BASF. This is surprising, since most financial analysts say the German companies neglect shareholders' interests in favour of employees and other social obligations.

ICI is at a competitive disadvantage in the manufacture of pre-preg because it has to buy most of the feedstocks from rival chemical groups.

"ICI produces an insignificant proportion of the added value in thermo-set," said an analyst. "The intrinsic profitability is therefore small".

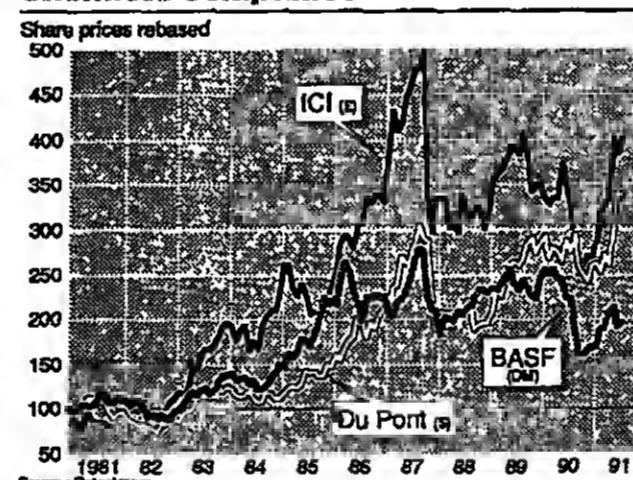
So if ICI is reducing its commitment to thermo-plastics, there is little point in keeping Fibreite.

Ironically, many analysts and chemical company directors are convinced that the manufacture of thermo-plastics and advanced composite materials will be a huge industry in the next century. "But it will be dominated by Japanese companies, because they are the only ones prepared to tolerate years of poor results and losses," says the director of a European materials business.

Some ICI executives are fighting a rearguard action to preserve the thermo-plastics business. They remember when ICI's pharmaceuticals and agricultural businesses, the heart of ICI today, were small losers.

But the tide is against them. ICI has just introduced a new process of evaluating its newer businesses. Every year, each embryo business is being reviewed by the executive directors, to ensure they are hitting their targets. Some, like PES, will be aborted.

## Chemical companies



both ICI and BASF slumped in 1990 — by 86 per cent and 37 per cent respectively — ICI maintained its dividend while BASF cut its payment. Without this reduction, the two companies' dividend performance would have been similar.

Yet in real terms, ICI's dividend record since 1981 is little better than BASF's, with an annual increase only 1 per cent point higher.

German companies are less fearful than British ones of alienating their shareholders by cutting their dividends. So when the pre tax profits of

ICI contrast, invested hundreds of millions in the past decade on speciality chemicals, sales prospects of which were thought to be far better. In that sense, ICI is regarded by analysts as having better quality businesses than BASF.

Yet in real terms, ICI's dividend performance is superior, their share price performance is worse. Over a ten year period and translating all prices into dollars, Du Pont's shares have performed best, followed by ICI and then BASF. However in their respective currencies ICI ranked first.

And how does ICI compare with Hanson, the business philosophy of which is that shareholders come first and success is measured in share price movements?

Over ten year and five year periods, and excluding the dramatic fall in its share price since it announced its interest in ICI, Hanson wins by a mile. However, since the beginning of 1990, it has risen only 2 per cent faster than ICI.

But if the measurement period is brought up to date, ICI's shares have done 25 per cent better than Hanson's since the start of the decade.

Lord Hanson must calculate whether that is the market's final verdict on his investment.

## Level of spending on research has far outstripped that of its UK competitors

By Charles Leadbeater, Industrial Editor

THE COMPANY which created polyester, polyethylene, perspex and beta blocker heart drugs is understandably proud of its record as an innovator.

ICI stands out as one of the leading British investors in research and development. It spent \$279m on research and technology development for production processes last year.

The autonomy of divisional heads is considerable. Mr Hodge, for example, has authority to make capital investments of up to \$10m without referring back to the main board.

ICI has moved further towards global

— as opposed to regional — management than any of its main rivals, according to Michael Bennett, a management consultant, Arthur D Little.

THE closest in organisational terms to ICI is probably Ciba Geigy, from Switzerland, because its three main businesses — in dyestuffs, agrochemicals and drugs — are innately international.

Because ICI is ahead of the pack, analysts find it difficult to judge whether the new structure will work. If there is a danger, they say, it is that ICI is ahead of its customers in running divisions on a global basis. Mr Bennett says ICI must be careful not to neglect the differing needs of European, Japanese and US purchasers.

The final stage of the management reforms will lead to a dramatic shrinkage of the head office. A director points out that only 20 per cent of ICI's business is purely domestic. But the chairman and main board executives spend a disproportionate amount of time on UK matters.

In part, this is the natural consequence of the company's 65 years as the great British chemical company. But the second reason is that the group's *art deco* headquarters, on Millbank by the River Thames in London, contains a disproportionate number of staff working on UK issues. They are in close proximity to the main board and therefore find it easy to attract their attention.

So head office will be reorganised and most employees who are not needed to help the board fulfil its international obligations will be relocated.

In the process, Britain's most famous corporate headquarters, built in 1928, two years after the company was formed, could become redundant. If ICI moved out, there could be no better symbol of its break with the past.

And a particular danger was that, after a long period of growth, neither the regional executive nor the divisional chief executive wanted to deliver gloomy news to head office. A related problem was that there was no detailed and formal mechanism for

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

A particular danger was that, after a long period of growth, neither the regional executive nor the divisional chief executive wanted to deliver gloomy news to head office. A related problem was that there was no detailed and formal mechanism for

nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

Nonetheless, there was a significant draw back.

UK COMPANY NEWS

## Evode comes unstuck as profits fall 58% to £3m

By Jane Fuller

EVODE Group, the adhesives, coatings and plastics concern, suffered a 58 per cent fall in net pre-tax profit as demand fell from its customers in the building, consumer goods and motor sectors.

As signalled in a profit warning in early June, pre-tax profit fell to £3m (£7.2m) in the six months to March 30.

The interim dividend was maintained at 1.75p, although it was not covered by fully diluted earnings per share of 1.28p (5.46p).

The group was £400,000 in the red after dividends paid on the convertible and dollar preference shares.

After the ordinary share payment, the retained loss was £1.7m (£2.3m profit).

Turnover was flat at £37.8m, against £37.1m, including £12m from two US PVC businesses bought for \$24m a year ago.

Mr Andrew Simon, chairman, said like-for-like sales

were 9 per cent down, hence the 38 per cent fall in operating profit to £6.5m (£10.5m).

Interest costs rose to £3.7m (£3.3m). Net debt had grown from the year-end level of £41.5m, gearing of 58 per cent, but was no higher than the previous interim figure.

Mr Simon said 45 per cent of group turnover lay in the UK and a third of that was related to the building industry.

This had affected the adhesives and sealants division, where operating profit fell by £1.3m.

Another film fall, to £2m, came in industrial coatings. The UK powder coating market had fallen by 17 per cent in the first quarter of 1991.

Plastics declined to £800,000 (£1.4m) and Chamberlain Piping's shoe components to £1m (£2m).

Other parts of Chamberlain, acquired in May 1989 in an £80m-plus all-paper deal, had been absorbed into other divi-

sions.

Mr Simon said the disposal of non-core businesses should bring in £20m, but only part by the year-end.

### COMMENT

Yesterday's opening price of 45p, up about a quarter of the level when Evode announced the Chamberlain deal. Some former Chamberlain shareholders must be wishing they had accepted Bowater's rival offer. It is small comfort that the interim dividend was held because there seems little hope that the final will be maintained - as suggested by the historic yield of 17 per cent.

Having overstretched itself on acquisitions, it was a pity that more balance sheet details were not available to assist judgment of the group's state. Those who believe the corner has been turned say the high gearing makes it a good recovery play. Others are more cautious. Evode has been less resilient than might have been expected from its spread of markets. A full-year forecast of £7m (£15.2m) pre-tax gives a prospective p/e of nearly 17 on yesterday's close of 51p. This looks quite high enough until some of the uncertainty is removed from the recovery scenario.

Mr Simon's job title changed to managing director last month when Mr Terry Venables, former team manager, became chief executive. Mr Sugars and Mr Venables have bought 36 per cent of the equity and have been forced to bid for the rest.

### DIVIDENDS ANNOUNCED

|                    | Current payment | Date of payment | Corresponding dividend | Total for year | Total last year |
|--------------------|-----------------|-----------------|------------------------|----------------|-----------------|
| Berkeley Govett    | 1.54p           | Aug 21          | 7                      | -              | 19              |
| Baup               | 5               | Oct 7           | 4.4                    | 8              | 7               |
| Evode              | 1.75            | Sept 27         | 7.8                    | -              | 8.42            |
| Independent Inv Co | 0.45            | Oct 9           | 0.25                   | 0.45           | 0.25            |
| Kitty Little       | 0.325           | -               | -                      | 0.575          | 0.575           |
| Wentworth Int'l    | 0.11            | -               | nil                    | 0.1            | 1               |

Dividends shown pence per share not except where otherwise stated. \*Equivalent after allowing for scrip issue. \*\*Capital increased by rights and/or acquisition issues. \$USM stock. \$Gross US cents.

## Berkeley Govett up 15%

By Norma Cohen

BERKELEY Govett, the Jersey-based financial services group yesterday reported a 15 per cent rise in pre-tax profits and an increase in its dividend.

Profits for the six months ended June 30 rose to £26m (£15.5m) compared with £22.7m the year before, while the gross interim dividend has been increased to 6.5 cents against 7 cents.

Total income fell to £23.9m (£26.9m). Earnings per share are shown as 26.6 cents compared with 23.8 cents.

The increase in profitability reflects the use of an "embedded value" system of accounting by the company's US-based

insurance arm, London Pacific Life & Annuity. The accounting system recognises the discounted value of future profits on London Pacific's major product, single-premium deferred annuity plan.

However, even without recognising the discounted value of its assets, London Pacific would have recorded a small profit for the six-month period, the first time it has done so since its formation in April 1989.

Separately, Berkeley Govett said it will launch an American Depository Receipt programme later this year to broaden US ownership of its shares.

### NEWS DIGEST

## Yorkshire Water chief boosts pay

Sir GORDON Jones, chairman of Yorkshire Water, received a 24 per cent pay rise in 1991.

The 59 per cent advance, to £119,000, was revealed in the company's annual report published yesterday.

In its first full year in the private sector, Yorkshire reported pre-tax profits ahead of expectations at £14.1m. Turnover amounted to £383.5m.

"Sir Gordon has already put on record his defence of the salary increases received by chairman of the water companies in the year following privatisation in a letter to the Financial Times."

In the letter, published on July 10, Sir Gordon stressed that in the prospectus it was explicitly stated that the salaries of chairmen and executive members would be adjusted "towards a more market-related basis after privatisation."

Mr John Bellak, chairman of Severn Trent Water, received a 68 per cent pay rise taking his annual package to just under £150,000, the company's annual report revealed.

Chief executive Roderick Paul received a 42 per cent rise putting his pay at £159,000.

## Wentworth Int'l advances to £1.21m

Wentworth International Group, the USM-listed polythene and packaging manufacturer, reported profits before tax more than doubled from £65,000 to £1.21m in the year to mid-March 1991.

The figure was struck on

**M**  
DISTRIBUTION SERVICES  
Business Strategy  
Fleet Management  
Depot Location  
Information Systems  
Facilities Design  
For further information contact:  
MWH Consultancy Group Ltd,  
Mordenhill, Morden,  
Basingstoke, Hants RG21 2XN.  
Tel: 0256 454226.

## BRITANNIA BUILDING SOCIETY

Issue of up to £50,000,000  
Floating Rate Notes  
Due 2005

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month period from (and including) 22nd July 1991 to (and including) 22nd October 1991, the Notes will carry a rate of interest of 11.69732 per cent per annum. The relevant interest payment date will be 22nd October 1991. The coupon amount per £1,000,000 Notes will be £29,485.17 payable against a minimum of £200. The coupon number of Coupon No. 7.

Hambros Bank Limited  
Agent Bank

## Mystery deepens around 'sacked' Spurs chief

By Jane Fuller

Mr Ian Gray, managing director of Tottenham Hotspur, deepened

the mystery surrounding the position of Mr Ian Gray, managing director of Tottenham Hotspur, deepened

the year-end level of 54.5m, gearing of 58 per cent, but was no higher than the previous interim figure.

As signalled in a profit warning in early June, pre-tax profit fell to £3m (£7.2m) in the six months to March 30.

The interim dividend was maintained at 1.75p, although it was not covered by fully diluted earnings per share of 1.28p (5.46p).

The group was £400,000 in the red after dividends paid on the convertible and dollar preference shares.

After the ordinary share payment, the retained loss was £1.7m (£2.3m profit).

Turnover was flat at £37.8m, against £37.1m, including £12m from two US PVC businesses bought for \$24m a year ago.

Mr Andrew Simon, chairman, said like-for-like sales

This announcement appears as a matter of record only



THE  
HOUSING FINANCE  
CORPORATION LIMITED

£15,000,000

### Fixed Rate Secured Debenture Stock 2021

Raised by The Housing Finance Corporation Ltd  
by a placing with international institutions

To finance loans to the following registered housing associations:

Aldwyck Housing Association Ltd  
Devon & Cornwall Housing Association Ltd  
Knightstone Housing Association Ltd  
Metropolitan Housing Trust Ltd  
North Housing Association Ltd

Arranged by:  
London Financial Group Ltd

Trustee to the Stock:  
The Law Debenture Trust Corporation p.l.c.

Legal Advisors to the Issuer:  
Trowers & Hamlins

Financial Advisors:  
European Capital Co Ltd

FLORA 2 LIMITED  
U.S.\$3,600,000  
Floating Rate Notes Due 1993  
Interest rate 6.657%  
Coupon rate 6.657%  
Coupon period from 22 July, 1991  
to 22 January, 1992  
Interest Accrual per 30/360  
Interest due 22 January, 1992  
US\$3,618,000  
THE LONG-TERM CREDIT BANK OF  
JAPAN LTD.  
Taisei Corp.



### First impressions count

A year or so ago when The Trading Service (TTS) was first launched a lot of people I know were impressed. They saw in TTS a fixed format trading system whose guaranteed accuracy of deal capture and awesome speed destined it to become the future format for Spot FX Dealers worldwide.

When I saw it, I wasn't so easily convinced. There were many features that I didn't like. I was uncomfortable with the 'slate' and the way in which this new fixed format trading tool was so rigid - accurate, yes, but easy to use? To be frank, I thought Telerate had made a mistake.

I was disappointed mostly because I had wanted the Telerate people to convince me. I'd grown tired of our usual supplier's complacency and attitude and wanted a viable, cheaper and superior alternative for my FX Dealing activities.

"I know I don't like it, because I haven't tried it recently"

Anyway, I dismissed it. And until now, I have been happy to stick with "The Devil I know". After all, I hadn't

heard of any major relaunches or dramatic product changes that could change my original and lasting impression.

### Hundreds take part in Madrid demonstrations

A friend of mine told me how he had seen TTS again just a few weeks ago at the ACI World Foreign Exchange Conference - Forex '91 - in Madrid. He had seen a TTS

which offered 'talk' and fixed format dealing within the same 'conversation'. He had noted the way that the screen showed him just what was needed - without extraneous graphics - and he acknowledged the ease of use of the system. He quickly became familiar with the operation of TTS; he saw how he could conduct multiple 'talk' and fixed format dealing conversations all at the same time. He heard how the screens and keyboards could be integrated into his existing equipment and how all of his original niggling detailed criticisms had been resolved. Overall, he had, he said, realised that TTS now offers a lot more than his current system - while costing an awful lot less.

Most significantly, he was convinced that people in dealing rooms around the world are not only signed up with

TTS, but are actually using it; quoting prices, trading growing volumes every day in a comprehensive range of currency pairs.

He came back from his demonstration enthusing about TTS. He seems to think it truly is the future in Foreign Exchange dealing.

He said that if I hadn't seen TTS recently then it is high time that I did. He suggested I give Telerate a call and set up a demonstration.

So I did. It was a real eye-opener. TTS really has changed. It is a very different proposition today from what it was last year.

And yes, it's really pretty good now. It's just that ... Well, I'll tell you what I really think tomorrow.

**TELERATE**

Dow Jones Global Information

IN EUROPE, TTS ENQUIRIES SHOULD BE MADE TO:

BELGIUM Rudy Ostender 32 2 773 1000 • DENMARK Claus Biagiard 45 33 323 266 • FINLAND Matti Leamanen 358 0694 4883 • FRANCE Colas Truong 33 14 239 0509  
GERMANY Stefan Kuppers 49 69 153 020 • IRELAND David Tate 353 1 764 600 • LUXEMBOURG Hans Hendriks 352 461 256 • NETHERLANDS Jan de Rieck 31 20 260 912  
NORWAY David Charlter 47 2 421 943 • SWEDEN Fred Norén 46 8 676 9200 • SWITZERLAND Monica Baetig 41 1 271 1411 • UK Denise Grist 44 71 588 0044

The Trading Service from Telerate is live throughout the world. For information • ASIA Jon Roimoo 852 868 2687 • EUROPE/GULF Peter Harrison 44 71 583 0044 • AMERICAS Leo Gasienica 1 201 309 4688

## COMMODITIES AND AGRICULTURE

## Lonrho statement sparks talk of platinum cartel

By Kenneth Gooding, Mining Correspondent

SPECULATION WAS ripe in the precious metals market yesterday that South Africa and the Soviet Union were working towards some kind of cartel for platinum group metals.

This arose after Lonrho South Africa, third-largest of the western world's platinum group metal producers said it was having wide-ranging technical and marketing talks with Glavavtma Zoloto, the organisation responsible for the Soviet Union's precious metals production and sales.

The announcement was so unusual that some analysts suggested Lonrho might be acting as a stalking horse for all the South African platinum producers and that the talks might lead to a cartel similar to the one for rough (uncut) diamonds organised by De Beers of South Africa. De Beers has a five-year contract to market the Soviet Union's diamonds.

But the platinum price showed little reaction, closing in London yesterday only 35 cents up at \$379 a troy ounce

after a day of very quiet trading.

South Africa is the world's biggest platinum group metals producer and the Soviet Union is the second-largest. However, the Soviet Union produces more palladium than platinum and, like Lonrho SA, is also a big producer of rhodium. These platinum group metals are essential in automotive catalytic converters used to clean up car exhaust fumes.

Analysts pointed out that the Soviet Union was under tremendous pressure to maximise its foreign earnings at a time when platinum and palladium prices were weak and rhodium was slithering down fast from a recent peak caused by supply problems. "It would certainly help the South African industry if the Soviet Union could be persuaded to withhold metal from the market," said one.

Lonrho South Africa is South Africa's third-largest producer. Impala Platinum, the Gencor subsidiary which is the second-largest, owns 25 per cent of Lonrho SA and the

industry believes the two are working towards an even closer relationship.

Mr Paul Spicer, a director of the parent Lonrho company in London, said yesterday talks had been going on for about 18 months about the possibility that his company and the Soviet industry might co-operate over the very complex refining processes associated with platinum group metals.

He said Lonrho might also assist with the Soviet industry's marketing, which he suggested was relatively unsuccessful.

However, other platinum industry participants said there seemed to be little marketing room left for Lonrho. Soviet platinum was sold through Almaz, the precious metal export agency, mainly on contracts to end users, and by the Bank for Foreign Economic Affairs.

Almaz also recently set up a joint company with Salomon Brothers, the US investment bank, to market platinum group metals in North America.

## Aluminium shortage forecast

By Kenneth Gooding

ONE THIRD of the western world's aluminium production capacity is uneconomic at today's prices, according to the Anthony Bird consultancy organisation. It warns that "low metal prices now will mean a return of inflated metal prices later."

Bird expects prices to rise slowly at first but to reach 80 US cents a lb by 1993 (in today's money and at today's exchange rates), rising to 108 cents by the middle of 1994. "Exchange rate movements might inflate the price rise significantly but aluminium prices at that level will not be sustained into the longer term – any more than today's miserable metal prices can be sustained once the economic recovery gets going."

Bird says that today only about 10m tonnes of primary aluminium capacity is covering operating costs, let alone making a return on capital. "The economics of new smelt

ers suggest that a price of 77 cents to 83 cents a lb is needed to balance supply and demand in the longer term, although the exact figure is very sensitive to exchange rate movements. Actual prices have been well below that range for months," it points out. Aluminium for delivery in three months closed on the London Metal Exchange at 60 cents a lb last night.

Bird says low prices are causing output to be cut too sharply. "By early 1992 the supply-demand balance will move back into deficit where it will remain and by 1993 the supply situation will once more start to become uncomfortable again. This will be reinforced by the fact that the rate of investment in new capacity is now much less than the industry needs in the long term."

The industry has been slow to respond this year to low prices and western world

stocks are likely to reach 2.7m tonnes by the end of 1991, Bird says. At the last peak, in February 1982, stocks reached 3.5m tonnes. During the 1988 aluminium shortage stocks fell as low as 1.4m tonnes.

Today's extraordinarily low prices have partly been caused by a flood of Soviet exports to the west, Bird points out. While Soviet exports will remain higher than usual for some years, the exceptional levels seen recently are unlikely to be maintained. This is because a recovery in the aluminium-using industry in the former eastern bloc countries can be expected and because there is every reason to suppose aluminium producers will not be able to escape as the Soviet economy falls further into chaos.

Aluminium Analysis, quarterly, 475 a year from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

## Drought sets back Indonesian sugar hopes

DROUGHT IS likely to cut Indonesia's sugar crop by 8 to 10 per cent this year and by up to 20 per cent in 1992, according to Mr Biroro, head of the Indonesian Sugar Council, reports Reuters from Jakarta.

Official estimates had originally put this year's crop at 2.3m tonnes of raw sugar, compared with a little over 2m

tonnes last year.

The government hopes output will reach 2.7m tonnes in 1993, and has set 1994 as the target year to reach self-sufficiency, a goal viewed with scepticism by some traders, who say that demand will rise as the economy grows.

Mr Biroro estimated that imports of white sugar this

year would be around 250,000 tonnes compared with an original target of 100,000 tonnes. But he said he was not particularly worried about importing sugar since world prices were so low. "It's cheaper to import than produce locally," he said. Imported sugar is about 30 per cent cheaper than locally-produced supplies.

**Market Report**

Nickel fell on the LME on speculative selling and liquidation, and the market moved back into contango. Technical pressure has been alleviated by Friday's 1,884 tonne increase in LME warehouse stocks, although caution ahead of the August date will limit selling interest, dealers said. Aluminium prices closed at the day's lows ahead of today's stock data. Initial forecasts were for a rise of around 5,000 tonnes but late in the afternoon there was talk from one quarter of further substantial arrivals in warehouses which could result in a net increase of over 20,000 tonnes. On the London bullion market gold drifted back below \$370 a troy ounce last year.

The market remains unable to break through stiff resistance in the \$371-\$372 area despite a generally bullish chart picture. In Chicago soyabeans and maize were sharply higher at midday, with new-crop months buoyed by a growing belief that the rains forecast for later this week will bring little drought relief to mid-western growing regions, traders said. A recent forecast spoke of normal to above-normal rain and normal to below-normal temperatures, but the trade wants to see a change in the weather pattern before it sells because of the stubborn nature of the 1991 drought.

Compiled from Reuters

**SPOT MARKETS**

Crude oil (per barrel FOB) + or -

Dubai \$16.50-8.50 -125

Brent Blend (dated) \$20.00-11.00 -175

Brent Blend (Sep) \$10.00-20.00 -125

W.T.I. (per barrel est) \$21.00-1.85 -0.80

Oil products (NWE prompt delivery per tonne CIF) + or -

Premium Gasoline \$242.25-245

Gas Oil \$165-109 -1

Heavy Fuel Oil \$73.70-74

Naphtha \$185-195 -3

Petroleum Argus Estimates

Other + or -

Gold (per troy oz) \$266.50 -1.25

Silver (per troy oz) \$48.50 -2.0

Platinum (per troy oz) \$379.75 +0.35

Palladium (per troy oz) \$363.50 +0.05

Aluminium (free market) N/A

Lead (US free market) 50c

Nickel (free market) 10c

Tin (Kuala Lumpur market) 15.30c

Tin (New York market) 26.25c

Zinc (US Prime market) 50c

Cattle (live weight) 103.15c -0.41

Sheep (dead weight) 116.25c -0.75

Pigs (live weight) \$3.87p -1.85

London daily sugar (raw) \$270.90 -4.0

London daily sugar (white) \$305.50 -4.5

Tallow and Lard export price £75.00 -2.5

Bacon (English lead) 118.50c +0.00

Meat (US No 3 yellow) \$182.50

Wheat (US Dark Northern) 10c

Rubber (Aug) \$3.25p

Rubber (Sep) \$3.75p

Rubber (Aug 1) \$3.75p

Coconut (Philippines) \$426.4

Palm Oil (Malaysia) \$347.60y +5.0

Soyabeans (US) 15c

Cotton (US) 14.90c

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Gold (per troy oz) \$1,680.00

Silver (per troy oz) \$48.50

Platinum (per troy oz) \$379.75

Palladium (per troy oz) \$363.50

Aluminium (free market) N/A

Lead (US free market) 50c

Nickel (free market) 10c

Tin (Kuala Lumpur market) 15.30c

Tin (New York market) 26.25c

Zinc (US Prime market) 50c

Cattle (live weight) 103.15c -0.41

Sheep (dead weight) 116.25c -0.75

Pigs (live weight) \$3.87p -1.85

London daily sugar (raw) \$270.90 -4.0

London daily sugar (white) \$305.50 -4.5

Tallow and Lard export price £75.00 -2.5

Bacon (English lead) 118.50c +0.00

Meat (US No 3 yellow) \$182.50

Wheat (US Dark Northern) 10c

Rubber (Aug) \$3.25p

Rubber (Sep) \$3.75p

Rubber (Aug 1) \$3.75p

Coconut (Philippines) \$426.4

Palm Oil (Malaysia) \$347.60y +5.0

Soyabeans (US) 15c

Cotton (US) 14.90c

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

Wool (US) 66c Super -0.40

## LONDON STOCK EXCHANGE

## Equities rise on latest economic data

By Terry Syland, UK Stock Market Editor

FAVOURABLE news on the domestic economy lifted the FTSE stock market to new highs at the start yesterday, but share gains were trimmed later when Wall Street continued to trade around the Dow 3,000 mark. The announcement, first of an unexpected gain of 1.3 per cent in June retail sales, and then of £23m trade surplus on UK current account for the same month, drove the FTSE Index to a new trading peak of 2,546.4 at mid-session but trading volumes were very thin and London slipped back from its high as the New York market, down 11 points in London hours, drifted perilously close to the Dow 3,000 figure again. The FTSE closed 17 points up at 2,538.5.

Market optimism towards indications of a recovery from

the depths of the recession in the domestic economy was also given some mild encouragement by the latest business surveys from the Confederation of British Industry/Financial Times and from the London Chamber of Commerce. But share prices opened lower, with London investors disappointed by Wall Street's failure to advance on Friday.

London's upturn was fuelled once again yesterday by the

stock index futures, where the September contract on the Footsie Index moved to a 35 point premium against cash in early trading and in late deals advanced towards a testing level of 2,600.

However, the UK market's response to the reports of improvement in the UK economy, which it has been so keenly awaiting, was somewhat restrained. Trading volume across the full range of equities was disappointingly light, with Seac-reported turnover at a mere 345.7m shares, the lowest Seac daily figure for two weeks and a poor comparison with Friday's 41m total.

The stock market yesterday lacked the scattering of broker deals and share placings which have provided the features of the market in recent weeks,

and have also provided the opportunities for the big institutions to add to their portfolios. Speculative interest in brand-name consumer stocks was revived, however, fuelled by revised hints that a bid for a FTSE 100 listed stock could be in the offing.

High street retail stocks attracted buyers, with the revival in confidence helped along by a buoyant statement from the UK Treasury. It said that the recession in UK retail sales was evidently coming to an end. This was good news to a stock market hoping that a consumer spending will lead the economy out of recession.

But, with sterling little changed on the day, the blue chip manufacturing stocks had a quiet session, despite the move of the UK trade figures

into surplus for the first time in more than four years. ICI, still seen as the trend leader for the broad range of the London market, made little move ahead of the trading figures which are due on Thursday.

The rise in the stock market yesterday appears to reflect a wide range of background factors as well as the economic news of the day. The Conservative government has continued to recover ground in the public opinion polls, and there is still a general expectation that domestic interest rates and inflation will fall further before the end of the year.

At Kleiwort Benson Securities, Mr Roger Palmer believes that the London equity market is unlikely to break out into new high ground without confirmation from the US.

Boost  
for retail  
stocks

THE unexpected jump in June retail sales figures gave the stores sector a much-needed boost, as well as giving heart to the rest of the equity sector, which is hoping that a revival in domestic consumer spending will lead the UK economy out of recession.

Among the leading high street names, Boots added 8 at 40p, Kingfisher 10 at 23p and Marks and Spencer 8 at 27p; there was a welcome increase in trading volume across the sector. However, there were signs that some investors had taken advantage of the rally to lighten their holdings of second-line stores stocks.

In the session there was a flurry of activity as 2.2m Burton shares changed hands at 40p. In Next were traded at 29p. Burton finished 1% higher at 41 1/4p, while Next was up a penny at 29p.

## ADT falls sharply

Ever-volatile ADT, the Bermuda-registered car auction and security services group, fell quickly as cuts in profits forecasts from Lehman Brothers and Morgan Stanley triggered light selling and kept the buyers away. The shares dropped 55 to 53p, not helped by continuing, if vague, talk of difficulties with the company's New York listing.

Lehman had expected ADT to make disposals and to have reduced debt with the proceeds. Without asset sales, ADT will pay higher interest charges. Lehman lowered next year's profits forecast by 967m (£40.5m) to £208m. Morgan Stanley pared its current year estimate by £40m to £150m.

Lehman said the company's core businesses were performing soundly but expected contributions from stakes in Christies International (24.2 per cent held) and Lep Group (27.3 per cent held) to fall. Christies' shares, however, gained 16 to 20p on the view that ADT was increasingly less likely to sell its shareholding, while Lep added 3 at 95p.

## Racial active

The Racial "twins" maintained their recent strong performances. Electronics closing 4 higher at 225p on 3.1m and Telecom 3 better at 368p after keen support.

The demerger of Telecom,

which will be renamed Vodafone Group, is scheduled for September 16 and should result in the replacement of Racal Electronics in the FTSE 100 index by Vodafone.

The "twins" have been holding a series of meetings with broking firms and institutions, which have been generating considerable support for both stocks. The latest meetings have focused on the outlook for the "new" Racal Electronics, ex its Vodafone, Chubb, etc. interests.

The weight of adverse press comment continued to bear down on Maxwell Communications shares. They lost 3 to 190p as a handful of large trades pushed volume to 7.8m. Mirror Group Newspapers, also controlled by Mr Robert Maxwell, gave up 2 more to end at a new low of 51p.

Thames TV lost 15 to 228p, the lowest level for more than five years, after weekend press reports that the company had been outbid for the London television franchise. Thorn EMI, which owns 27.9 per cent of Thames, was 10 down at one point but recovered with the market to end at the day's best of 72p with a gain of a penny.

Yorkshire Television and Tyne-Tees, whose franchises are being fiercely challenged, slipped 3 to 228p and 8 to 236p respectively.

Central Televisor continued last week's rise on news that the company would probably keep its franchise for a nominal sum. The shares reached a new high for the first time in almost two years with a gain of 12 to 222p.

Exploration's presentation of US analysis and institutions, detailing much the same news delivered to UK and European institutions last week, triggered more keen support for the parent BP shares, which rose 2% to 349.7p. Shell moved up 3% to 334.5p. Hardy Oil & Gas gained 5 to 160p in

marketmakers at US-owned securities houses have begun to bid aggressively for stock. Gas shares, among the Footsie's best performers last week, put on 2% more to 271p on turnover of 4.5m.

Banks and insurance proved reluctant to move ahead with the wider market. Banks were said to have been unsettled by suggestions that they could be required to put up around £100m to help to compensate BCCI investors. They were also said to be hurt by reports about the possible extent of bad debts due to be announced with the interim figures.

But specialists pointed out that the £100m BCCI levy figure was half the amount first estimated when BCCI was closed down. It was also said that sellers had got the upper hand in the sector late on Friday. "The big worry in the sector is of rights issues," said one analyst.

Lloyds, marginally ahead at 351, reports on Friday, the first of the "big four" to do so.

BPB was among the best performers in the building sector as news of the near 94 per cent take-up of the £125m rights issue triggered a burst of support for the shares, which settled 5 higher at 192p. The rump of the rights issue, some 5m shares, was placed in the market at 185p.

Dealers said the shares had been sold down far too fast, with selling pressure from one investment fund said to have been the main reason for the sharp fall. Stories of a possible rights issue, or asset sale or swap, have been circulating in the market for some time. At the close Ultramar had rallied 9 to 267p with turnover reaching 1.1m.

British Gas shrugged off worries about possible Ofgas intervention regarding big price increases to power generators, announced in the spring, and responded to signs that

the interest in stocks with famous brand names listed Cadbury-Schweppes 6 to 370p and United Biscuits 3 to 378p. Unilever rose 6 to 75p as 2.3m changed hands, making it one of the busier days for the stock so far this year. As Paragon, Gordon and Goldman Sachs recommended the shares.

Plastics and chemicals group Evode climbed 6 to 51p in spite of announcing a sharp fall in first-half profits. Investors had largely anticipated the poor results and the figures were offset by news that there had been an improvement recently in performance in Evode's North American and other overseas companies.

Stocklane Holdings, the distribution and stockholding group with interests in the UK, Canada, Africa and eastern Europe, rose sharply after the company announced that it was effectively being wound up and shareholders would receive some 15.7m. The shares closed 28 stronger at 360p after being 38 ahead at one stage.

The directors estimated that

## NEW HIGHS AND LOWS FOR 1991

**NEW HIGHS** (1) TELSTRA (2) Telenor, 300 1992. Telenor, 200 1992. Telenor, 250 1992. (3) Caltex, 200 1992. (4) Caltex, 200 1992. (5) Caltex, 200 1992. (6) Caltex, 200 1992. (7) Caltex, 200 1992. (8) Caltex, 200 1992. (9) Caltex, 200 1992. (10) Caltex, 200 1992. (11) Caltex, 200 1992. (12) Caltex, 200 1992. (13) Caltex, 200 1992. (14) Caltex, 200 1992. (15) Caltex, 200 1992. (16) Caltex, 200 1992. (17) Caltex, 200 1992. (18) Caltex, 200 1992. (19) Caltex, 200 1992. (20) Caltex, 200 1992. (21) Caltex, 200 1992. (22) Caltex, 200 1992. (23) Caltex, 200 1992. (24) Caltex, 200 1992. (25) Caltex, 200 1992. (26) Caltex, 200 1992. (27) Caltex, 200 1992. (28) Caltex, 200 1992. (29) Caltex, 200 1992. (30) Caltex, 200 1992. (31) Caltex, 200 1992. (32) Caltex, 200 1992. (33) Caltex, 200 1992. (34) Caltex, 200 1992. (35) Caltex, 200 1992. (36) Caltex, 200 1992. (37) Caltex, 200 1992. (38) Caltex, 200 1992. (39) Caltex, 200 1992. (40) Caltex, 200 1992. (41) Caltex, 200 1992. (42) Caltex, 200 1992. (43) Caltex, 200 1992. (44) Caltex, 200 1992. (45) Caltex, 200 1992. (46) Caltex, 200 1992. (47) Caltex, 200 1992. (48) Caltex, 200 1992. (49) Caltex, 200 1992. (50) Caltex, 200 1992. (51) Caltex, 200 1992. (52) Caltex, 200 1992. (53) Caltex, 200 1992. (54) Caltex, 200 1992. (55) Caltex, 200 1992. (56) Caltex, 200 1992. (57) Caltex, 200 1992. (58) Caltex, 200 1992. (59) Caltex, 200 1992. (60) Caltex, 200 1992. (61) Caltex, 200 1992. (62) Caltex, 200 1992. (63) Caltex, 200 1992. (64) Caltex, 200 1992. (65) Caltex, 200 1992. (66) Caltex, 200 1992. (67) Caltex, 200 1992. (68) Caltex, 200 1992. (69) Caltex, 200 1992. (70) Caltex, 200 1992. (71) Caltex, 200 1992. (72) Caltex, 200 1992. (73) Caltex, 200 1992. (74) Caltex, 200 1992. (75) Caltex, 200 1992. (76) Caltex, 200 1992. (77) Caltex, 200 1992. (78) Caltex, 200 1992. (79) Caltex, 200 1992. (80) Caltex, 200 1992. (81) Caltex, 200 1992. (82) Caltex, 200 1992. (83) Caltex, 200 1992. (84) Caltex, 200 1992. (85) Caltex, 200 1992. (86) Caltex, 200 1992. (87) Caltex, 200 1992. (88) Caltex, 200 1992. (89) Caltex, 200 1992. (90) Caltex, 200 1992. (91) Caltex, 200 1992. (92) Caltex, 200 1992. (93) Caltex, 200 1992. (94) Caltex, 200 1992. (95) Caltex, 200 1992. (96) Caltex, 200 1992. (97) Caltex, 200 1992. (98) Caltex, 200 1992. (99) Caltex, 200 1992. (100) Caltex, 200 1992. (101) Caltex, 200 1992. (102) Caltex, 200 1992. (103) Caltex, 200 1992. (104) Caltex, 200 1992. (105) Caltex, 200 1992. (106) Caltex, 200 1992. (107) Caltex, 200 1992. (108) Caltex, 200 1992. (109) Caltex, 200 1992. (110) Caltex, 200 1992. (111) Caltex, 200 1992. (112) Caltex, 200 1992. (113) Caltex, 200 1992. (114) Caltex, 200 1992. (115) Caltex, 200 1992. (116) Caltex, 200 1992. (117) Caltex, 200 1992. (118) Caltex, 200 1992. (119) Caltex, 200 1992. (120) Caltex, 200 1992. (121) Caltex, 200 1992. (122) Caltex, 200 1992. (123) Caltex, 200 1992. (124) Caltex, 200 1992. (125) Caltex, 200 1992. (126) Caltex, 200 1992. (127) Caltex, 200 1992. (128) Caltex, 200 1992. (129) Caltex, 200 1992. (130) Caltex, 200 1992. (131) Caltex, 200 1992. (132) Caltex, 200 1992. (133) Caltex, 200 1992. (134) Caltex, 200 1992. (135) Caltex, 200 1992. (136) Caltex, 200 1992. (137) Caltex, 200 1992. (138) Caltex, 200 1992. (139) Caltex, 200 1992. (140) Caltex, 200 1992. (141) Caltex, 200 1992. (142) Caltex, 200 1992. (143) Caltex, 200 1992. (144) Caltex, 200 1992. (145) Caltex, 200 1992. (146) Caltex, 200 1992. (147) Caltex, 200 1992. (148) Caltex, 200 1992. (149) Caltex, 200 1992. (150) Caltex, 200 1992. (151) Caltex, 200 1992. (152) Caltex, 200 1992. (153) Caltex, 200 1992. (154) Caltex, 200 1992. (155) Caltex, 200 1992. (156) Caltex, 200 1992. (157) Caltex, 200 1992. (158) Caltex, 200 1992. (159) Caltex, 200 1992. (160) Caltex, 200 1992. (161) Caltex, 200 1992. (162) Caltex, 200 1992. (163) Caltex, 200 1992. (164) Caltex, 200 1992. (165) Caltex, 200 1992. (166) Caltex, 200 1992. (167) Caltex, 200 1992. (168) Caltex, 200 1992. (169) Caltex, 200 1992. (170) Caltex, 200 1992. (171) Caltex, 200 1992. (172) Caltex, 200 1992. (173) Caltex, 200 1992. (174) Caltex, 200 1992. (175) Caltex, 200 1992. (176) Caltex, 200 1992. (177) Caltex, 200 1992. (178) Caltex, 200 1992. (179) Caltex, 200 1992. (180) Caltex, 200 1992. (181) Caltex, 200 1992. (182) Caltex, 200 1992. (183) Caltex, 200 1992. (184) Caltex, 200 1992. (185) Caltex, 200 1992. (186) Caltex, 200 1992. (187) Caltex, 200 1992. (188) Caltex, 200 1992. (189) Caltex, 200 1992. (190) Caltex, 200 1992. (191) Caltex, 200 1992. (192) Caltex, 200 1992. (193) Caltex, 200 1992. (194) Caltex, 200 1992. (195) Caltex, 200 1992. (196) Caltex, 200 1992. (197) Caltex, 200 1992. (198) Caltex, 200 1992. (199) Caltex, 200 1992. (200) Caltex, 200 1992. (201) Caltex, 200 1992. (202) Caltex, 200 1992. (203) Caltex, 200 1992. (204) Caltex, 200 1992. (205) Caltex, 200 1992. (206) Caltex, 200 1992. (207) Caltex, 200 1992. (208) Caltex, 200 1992. (209) Caltex, 200 1992. (210) Caltex, 200 1992. (211) Caltex, 200 1992. (212) Caltex, 200 1992. (213) Calt





## FT MANAGED FUNDS SERVICE

Current Unit Trust prices are available on FT Cline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED  
UNIT TRUSTS

Unit Code Unit Trust Price - 1st Charge  
Unit Code Unit Trust Price - 2nd Charge  
Unit Code Unit Trust Price - 3rd Charge

Abbey Unit Trusts £10000H 045 711 373  
All Holders Rd, Barnsley

High Income - 51.25 51.16 46.64

Gifts & Fleet Int. - 51.25 51.16 46.64

Holiday Fund - 51.25 51.16 46.64

Income Fund - 51.25 51.16 46.64

Asian Growth - 51.25 51.16 46.64

Asian Pacific - 51.25 51.16 46.64

Capital Reserves Acc. - 51.25 51.16 46.64

Capital Reserves Int. - 51.25 51.16 46.64

1992 Enterprise - 51.25 51.16 46.64

Euro Capital Int. - 51.25 51.16 46.64

Euro Capital Reserves - 51.25 51.16 46.64

UK & European - 51.25 51.16 46.64

Overseas - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

Overseas Fund - 51.25 51.16 46.64

## **FT MANAGED FUNDS SERVICE**

- Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

#### **OTHER UK UNIT TRUSTS**

- Current Unit Trust prices are available on FT Cityline. Calls charged at 43p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

| Global Life Insurance & Reinsurance                    |             |         |         |            |             |      |       |  |             |         |         |             |             |         |         |            |             | Jaff Co. Price |         | Jaff Co. Price |             |             |             |         |         |
|--|-------------|---------|---------|------------|-------------|------|-------|--|-------------|---------|---------|-------------|-------------|---------|---------|------------|-------------|----------------|---------|----------------|-------------|-------------|-------------|---------|---------|
| Std. Price   | Offer Price | +/-     | Yield   | Std. Price | Offer Price | +/-  | Yield | Std. Price                                 | Offer Price | +/-     | Yield   | Std. Price  | Offer Price | +/-     | Yield   | Std. Price | Offer Price | +/-            | Yield   | Std. Price     | Offer Price |             |             |         |         |
| H & P Life Assurance Ltd                               | 177-180     | 177-180 | 177-180 | 077-078    | 077-078     | 2348 |       | Prosperity Life Assurance Ltd              | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Life Insur. Ltd.                                       | 122.6       | 122.6   | 122.6   |            |             |      |       | Royal Heritage Life Assurance Ltd - Contd. | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Life Insur. Ltd.                                       | 110.5       | 110.5   | 110.5   |            |             |      |       | Stable Assurance Ltd                       | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Penins. Managed Fd.                                    | 105.0       | 105.0   | 105.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Life Insur. Ltd.                                       | 122.9       | 122.9   | 122.9   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Penins. Insur. Fd.                                     | 122.9       | 122.9   | 122.9   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| National Financial Management Corp. PLC                | 72-74       | 72-74   | 72-74   | 072-073    | 072-073     | 3023 |       | Royal Heritage Life Assurance Ltd - Contd. | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Life Funds   | 115.0       | 115.0   | 115.0   |            |             |      |       | Stable Assurance Ltd                       | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Caution  | 109.5       | 109.5   | 109.5   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Growth   | 117.7       | 117.7   | 117.7   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Penins. Fd.  | 108.6       | 108.6   | 108.6   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Caution  | 114.0       | 114.0   | 114.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Opportunity                                    | 116.0       | 116.0   | 116.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| WPA Target Plus Fd                                     | 102.5       | 102.5   | 102.5   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| National Mutual Life The Priority Plan, Inc., 505 220W | 0422-022422 |         |         |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 107.2       | 107.2   | 107.2   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 110.5       | 110.5   | 110.5   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 112.7       | 112.7   | 112.7   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 114.0       | 114.0   | 114.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 116.0       | 116.0   | 116.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 117.7       | 117.7   | 117.7   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 119.0       | 119.0   | 119.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 121.0       | 121.0   | 121.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 122.7       | 122.7   | 122.7   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-060555 | 177-180 | 177-180 | 177-180    | 0622-060555 | 0622-060555    | 177-180 | 177-180        | 177-180     | 0622-060555 | 0622-060555 | 177-180 | 177-180 |
| Managed Fund   | 124.0       | 124.0   | 124.0   |            |             |      |       | Swiss Life UK PLC                          | 177-180     | 177-180 | 177-180 | 0622-060555 | 0622-06     |         |         |            |             |                |         |                |             |             |             |         |         |

## **FT MANAGED FUNDS SERVICE**

- Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128

## FOREIGN EXCHANGES

## Uncertainty surrounds dollar

THE DOLLAR finished higher on the day in Europe, but trading was uncertain. Foreign exchange dealers are looking for guidance on whether the dollar's decline has developed into a trend, since the heavy central bank intervention on July 12, or if the fall of the last week or so has been no more than a natural correction from the high of around DM1.840.

US data on durable goods orders tomorrow and second quarter gross national product growth on Friday may not provide sufficient evidence, but UBS Phillips and Drew, the London stockbroker, suggests that the fall in retailing, the dollar up 16 per cent in trade weighted terms since February, is over. Swiss Bank Corporation forecasts that there may still be renewed upward momentum, but that the currency is near its peak. Midland蒙特哥, taking a longer term view, believes the dollar will be a relatively modest currency over the next few years, possibly falling to DM1.650 and Y1.00.

At the London close yesterday the dollar had climbed to DM1.7885 from DM1.7485, to Y1.37.40 from Y1.36.45, and SF1.0215 from SF1.0151.50, and to FF1.9704 from FF1.9375. Its index rose to 66.9 from 65.8.

Sterling showed little reaction to surprisingly robust UK economic news. The trade posi-

tion in June was expected to show little change from May, but the current account was in surplus by £28m, compared with a revised deficit of £522m in May, and the visible trade gap narrowed to £377m from a revised £522m. June retail sales were generally forecast to fall slightly, but rose 1.3 per cent, after falling 0.5 per cent in May.

The UK Treasury said that "the recession in retail sales clearly is coming to, perhaps even is, at an end."

Nevertheless the figures had little impact on the pound. Sterling's 55 points to DM1.8110 after the dollar moving in line with other European currencies. It was unchanged at DM1.2550 and eased slightly to FF1.0360 from FF1.0375 and to SF1.0257 from SF1.0260, but rose to Y231.00 from Y230.75. The pound's index closed unchanged at 91.1.

In the European exchange

rate mechanism sterling improved slightly to third from fourth strongest. The French franc was weak, only very slightly above the lowest placed Danish krone in the ERM, despite the Bank of France's decision to leave interest rates unchanged at yesterday's money market tender. The market now awaits today's French trade figures, amid some speculation of a June surplus.

The Australian dollar had a strong undertone, prompting intervention to sell the currency by the Reserve Bank of Australia. Dealers in New York also believed the US Federal Reserve may have intervened on behalf of the Reserve Bank. It was suggested that the Australian authorities are trying to keep the currency below 78.00 cents. In London it closed at 77.80 cents, little changed from the earlier level in Sydney.

Estimated values total, Cabs 723 Pcs 502 Previous day's open int. Cabs 234 Pcs 17017

Estimated values total, Cabs 10 Pcs 630 Previous day's open int. Cabs 10 Pcs 630

Estimated values total, Cabs 371 Pcs 1.026 Previous day's open int. Cabs 371 Pcs 1.023

Estimated values total, Cabs 200 Pcs 222 Previous day's open int. Cabs 200 Pcs 222

Estimated values total, Cabs 500 Pcs 296 Previous day's open int. Cabs 500 Pcs 296

Estimated values total, Cabs 1000 Pcs 592 Previous day's open int. Cabs 1000 Pcs 592

Estimated values total, Cabs 2000 Pcs 1180 Previous day's open int. Cabs 2000 Pcs 1180

Estimated values total, Cabs 4000 Pcs 2360 Previous day's open int. Cabs 4000 Pcs 2360

Estimated values total, Cabs 8000 Pcs 4720 Previous day's open int. Cabs 8000 Pcs 4720

Estimated values total, Cabs 16000 Pcs 9440 Previous day's open int. Cabs 16000 Pcs 9440

Estimated values total, Cabs 32000 Pcs 18880 Previous day's open int. Cabs 32000 Pcs 18880

Estimated values total, Cabs 64000 Pcs 37760 Previous day's open int. Cabs 64000 Pcs 37760

Estimated values total, Cabs 128000 Pcs 75520 Previous day's open int. Cabs 128000 Pcs 75520

Estimated values total, Cabs 256000 Pcs 151040 Previous day's open int. Cabs 256000 Pcs 151040

Estimated values total, Cabs 512000 Pcs 302080 Previous day's open int. Cabs 512000 Pcs 302080

Estimated values total, Cabs 1024000 Pcs 604160 Previous day's open int. Cabs 1024000 Pcs 604160

Estimated values total, Cabs 2048000 Pcs 1208320 Previous day's open int. Cabs 2048000 Pcs 1208320

Estimated values total, Cabs 4096000 Pcs 2416640 Previous day's open int. Cabs 4096000 Pcs 2416640

Estimated values total, Cabs 8192000 Pcs 4833280 Previous day's open int. Cabs 8192000 Pcs 4833280

Estimated values total, Cabs 16384000 Pcs 9666560 Previous day's open int. Cabs 16384000 Pcs 9666560

Estimated values total, Cabs 32768000 Pcs 19333120 Previous day's open int. Cabs 32768000 Pcs 19333120

Estimated values total, Cabs 65536000 Pcs 38666240 Previous day's open int. Cabs 65536000 Pcs 38666240

Estimated values total, Cabs 131072000 Pcs 77332480 Previous day's open int. Cabs 131072000 Pcs 77332480

Estimated values total, Cabs 262144000 Pcs 154664960 Previous day's open int. Cabs 262144000 Pcs 154664960

Estimated values total, Cabs 524288000 Pcs 309329920 Previous day's open int. Cabs 524288000 Pcs 309329920

Estimated values total, Cabs 1048576000 Pcs 618659840 Previous day's open int. Cabs 1048576000 Pcs 618659840

Estimated values total, Cabs 2097152000 Pcs 1237319200 Previous day's open int. Cabs 2097152000 Pcs 1237319200

Estimated values total, Cabs 4194304000 Pcs 2474638400 Previous day's open int. Cabs 4194304000 Pcs 2474638400

Estimated values total, Cabs 8388608000 Pcs 4949276800 Previous day's open int. Cabs 8388608000 Pcs 4949276800

Estimated values total, Cabs 16777216000 Pcs 9898553600 Previous day's open int. Cabs 16777216000 Pcs 9898553600

Estimated values total, Cabs 33554432000 Pcs 20000000000 Previous day's open int. Cabs 33554432000 Pcs 20000000000

Estimated values total, Cabs 67108864000 Pcs 40000000000 Previous day's open int. Cabs 67108864000 Pcs 40000000000

Estimated values total, Cabs 134217728000 Pcs 80000000000 Previous day's open int. Cabs 134217728000 Pcs 80000000000

Estimated values total, Cabs 268435456000 Pcs 160000000000 Previous day's open int. Cabs 268435456000 Pcs 160000000000

Estimated values total, Cabs 536870912000 Pcs 320000000000 Previous day's open int. Cabs 536870912000 Pcs 320000000000

Estimated values total, Cabs 1073741824000 Pcs 640000000000 Previous day's open int. Cabs 1073741824000 Pcs 640000000000

Estimated values total, Cabs 2147483648000 Pcs 1280000000000 Previous day's open int. Cabs 2147483648000 Pcs 1280000000000

Estimated values total, Cabs 4294967296000 Pcs 2560000000000 Previous day's open int. Cabs 4294967296000 Pcs 2560000000000

Estimated values total, Cabs 8589934592000 Pcs 5120000000000 Previous day's open int. Cabs 8589934592000 Pcs 5120000000000

Estimated values total, Cabs 17179869184000 Pcs 10240000000000 Previous day's open int. Cabs 17179869184000 Pcs 10240000000000

Estimated values total, Cabs 34359738368000 Pcs 20480000000000 Previous day's open int. Cabs 34359738368000 Pcs 20480000000000

Estimated values total, Cabs 68719476736000 Pcs 40960000000000 Previous day's open int. Cabs 68719476736000 Pcs 40960000000000

Estimated values total, Cabs 137438953472000 Pcs 81920000000000 Previous day's open int. Cabs 137438953472000 Pcs 81920000000000

Estimated values total, Cabs 274877906944000 Pcs 163840000000000 Previous day's open int. Cabs 274877906944000 Pcs 163840000000000

Estimated values total, Cabs 549755813888000 Pcs 327680000000000 Previous day's open int. Cabs 549755813888000 Pcs 327680000000000

Estimated values total, Cabs 1099511627760000 Pcs 655360000000000 Previous day's open int. Cabs 1099511627760000 Pcs 655360000000000

Estimated values total, Cabs 2199023355200000 Pcs 1310720000000000 Previous day's open int. Cabs 2199023355200000 Pcs 1310720000000000

Estimated values total, Cabs 4398046710400000 Pcs 2621440000000000 Previous day's open int. Cabs 4398046710400000 Pcs 2621440000000000

Estimated values total, Cabs 8796093420800000 Pcs 5242880000000000 Previous day's open int. Cabs 8796093420800000 Pcs 5242880000000000

Estimated values total, Cabs 1759218640160000 Pcs 1048576000000000 Previous day's open int. Cabs 1759218640160000 Pcs 1048576000000000

Estimated values total, Cabs 3518437280320000 Pcs 2097152000000000 Previous day's open int. Cabs 3518437280320000 Pcs 2097152000000000

Estimated values total, Cabs 7036874560640000 Pcs 4194304000000000 Previous day's open int. Cabs 7036874560640000 Pcs 4194304000000000

Estimated values total, Cabs 14073749121280000 Pcs 8388608000000000 Previous day's open int. Cabs 14073749121280000 Pcs 8388608000000000

Estimated values total, Cabs 28147498242560000 Pcs 16777216000000000 Previous day's open int. Cabs 28147498242560000 Pcs 16777216000000000

Estimated values total, Cabs 56294996485120000 Pcs 33554432000000000 Previous day's open int. Cabs 56294996485120000 Pcs 33554432000000000

Estimated values total, Cabs 11258993290240000 Pcs 67108864000000000 Previous day's open int. Cabs 11258993290240000 Pcs 67108864000000000

Estimated values total, Cabs 22517886580480000 Pcs 13421772800000000 Previous day's open int. Cabs 22517886580480000 Pcs 13421772800000000

Estimated values total, Cabs 45035773160960000 Pcs 26843545600000000 Previous day's open int. Cabs 45035773160960000 Pcs 26843545600000000

Estimated values total, Cabs 90071546321920000 Pcs 52428800000000000 Previous day's open int. Cabs 90071546321920000 Pcs 52428800000000000

Estimated values total, Cabs 18014309243840000 Pcs 10485760000000000 Previous day's open int. Cabs 18014309243840000 Pcs 10485760000000000

Estimated values total, Cabs 36028818487680000 Pcs 20971520000000000 Previous day's open int. Cabs 36028818487680000 Pcs 20971520000000000

Estimated values total, Cabs 72057636975360000 Pcs 41943040000000000 Previous day's open int. Cabs 72057636975360000 Pcs 41943040000000000

Estimated values total, Cabs 144115273907200000 Pcs 83886080000000000 Previous day's open int. Cabs 144115273907200000 Pcs 83886080000000000

Estimated values total, Cabs 288230547814400000 Pcs 167772160000000000 Previous day's open int. Cabs 288230547814400000 Pcs 167772160000000000

Estimated values total, Cabs 576461095628800000 Pcs 335544320000000000 Previous day's open int. Cabs 576461095628800000 Pcs 335544320000000000

Estimated values total, Cabs 115292211257600000 Pcs 671088640000000000 Previous day's open int. Cabs 11529221125



**NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

3:30 pm prices July 22

Continued on next page

## **NYSE COMPOSITE PRICES**

## AMEX COMPOSITE PRICES

ales figures are unofficial. Yearly highs and lows reflect previous 52 weeks plus the current week, but not the trading day. Where a split or stock dividend amounting 25 percent or more has been paid, the year's high-only figure and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements on the latest declaration.   
 -dividend (ago xtra), b-annual rate of dividend plus stock dividend. b-liquidating dividend, c-d-called, d-new yearly low.   
 dividend declared or paid 12 preceding 12 months, g-dividend in Canadian funds, subject to 15% non-residence tax.   
 dividend declared after split-up or stock dividend, j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting, t-dividend declared or paid this year, an cumulative issue with dividends in arrears, n-new issue in past 52 weeks. The high-low range begins with the start of trading, nd-next day delivery. P/E price-earnings ratio, r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split.   
 t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date.   
 new yearly high, v-trading halted, wl-in bankruptcy or receivership or being reorganized under the Bankruptcy Act.   
 securities assumed by such companies, wd-distributed, when issued, wr-with warrants. x-ex-dividend or ex-rights, ex-ex-distribution, xx-without warrants. y-ex-dividend and as in full. yd-yield. z-sales in full.

## **NASDAQ NATIONAL MARKET**

*3:30 pm prices July 22*

## AMEX COMPOSITE PRICES

ales figures are unofficial. Yearly highs and lows reflect previous 52 weeks plus the current week, but not the trading day. Where a split or stock dividend amounting 25 percent or more has been paid, the year's high-only figure and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements on the latest declaration.   
 -dividend (ago xtra), b-annual rate of dividend plus stock dividend. b-splitting dividend, c-d-called, d-new yearly low.   
 -dividend declared or paid 12 preceding 12 months, g-dividend in Canadian funds, subject to 15% non-residence tax.   
 -dividend declared after split-up or stock dividend, j-dividend paid this year, o-outlined, deferred, or no action taken at latest dividend meeting, t-dividend declared or paid this year, an cumulative issue with dividends in arrears, n-new issue in past 52 weeks. The high-low range begins with the start of reporting, rd-next-day delivery. P/E price-earnings ratio, r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split.   
 -sales, t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date.   
 -new yearly high, v-trading halted, wl-in bankruptcy or receivership or being reorganized under the Bankruptcy Act.   
 -securities assumed by such companies, wd-distributed, when issued, wr-with warrants. x-ex-dividend or ex-rights, x-ex-distribution, xx-without warrants. y-ex-dividend and as in full. yd-yield. z-sales in full.

14

| Pj         | Sis        | Pj         | Sis        |
|------------|------------|------------|------------|
| Div. E     | 100%       | Div. E     | 100%       |
| High       | Low        | High       | Low        |
| Chng Stock | Chng Stock | Chng Stock | Chng Stock |

PI SIS  
Div. E 100s High Low Close Chng

# MANAGEMENT BUYOUTS

The FT proposes to publish this survey on  
October 1st 1991.  
This survey will be read in 160 countries throughout the  
World. If you want to reach this important audience, call  
James Pascall  
on 071 873 4008  
or fax 071 873 3078.

FT SURVEYS

ZIMBABWE

The FT proposes to publish this survey on 27 August 1991 and it will be distributed to 160 countries worldwide. If you want to reach this important audience, call Louise Hunter on 071 873 3238 or fax 071 873 3079.

**FT SURVEY**

## AMERICA

## Weak insurance sector leads equities down

## Wall Street

SHARE PRICES weakened across the board yesterday morning after big declines in the insurance sector because of rating agency downgrades, writes Patrick Harverson in New York.

By 1.30 pm the Dow Jones Industrial Average was down 10.98 at 3,005.37. The more broadly based Standard & Poor's 500 was also lower, down 1.31 at 382.91 at 1 pm, while the Nasdaq composite of over-the-counter stocks was down 6.15 at 528.70 at 1.30 pm. Turnover on the New York Stock Exchange was 91m shares by 1 pm.

In the absence of a lead from economic news, sentiment reflected the decision late on Friday by Moody's Investors Service, the top Wall Street ratings agency, to lower its ratings on six big insurance companies. This was because of the continued deterioration of commercial property values, and expected increases in the number of underperforming real estate loans and investments owned by the insurers.

Although only one of the six - Travelers - is a publicly traded company, Moody's said that it was looking at several others. This statement, allied to general concern about the health of the US insurance industry, meant that all of the big insurance stocks took a tumble yesterday. The biggest fall was in Travelers, which tumbled 8.2% to 818.00 on turnover of over 2.4m shares.

West Coast bank stocks were also weaker, hit by reduced earnings estimates from Brown Brothers Harriman, the broking house. Worst affected were BankAmerica, down 1% at 833.75, First Interstate Bancorp, down 5.1% at 229.75 and Wells Fargo, down 1% at 872.75. The exception was Security Pacific, which rose 3% to 232.75.

CES Sovran rose 1% to 827 on turnover of 1m shares and NCNB fell 5.1% to 855.75 after the two banks signed a definite pact on a share-swap merger which will create the third largest banking group in the

US. The culmination of another share-swap merger agreement affected two over-the-counter stocks in the biotechnology sector. Cetus fell 5.1% to 81.75 on turnover of 1.4m shares, and Chiron by 3.3% to 857.4. The merger will follow the sale of Cetus technology to its joint parent Hoffman-La Roche for \$300m.

Reebok rose 5.1% to 828 in active trading after the sport-shoe maker reported a second quarter profit of 64 cents a share, compared to the 38 cents a share earned a year earlier. Also higher on second quarter earnings was Eaton Corp, which gained 5.2% to 865.5.

Disappointing quarterly earnings and warnings about future growth hit from Liz Claiborne, the retailer, down 5.7% to 840 on turnover of 2.6m shares.

## Canada

TORONTO hovered at session lows in slow midday trade, after a partial recovery in the Canadian dollar weakened export-oriented sectors. The composite index lost 1.21 to 3,549.2, although advances led declines by 154 to 128.00 on volume of 9.9m shares.

The Canadian dollar firmed to about C\$1.15 against the US dollar after plunging to about C\$1.16 last week. The Bank of Canada hardened short-term interest rates in support and further rises may be in store, analysts said.

Inc, which reported a drop in second quarter earnings from C\$1.94 to 28 cents per share, fell C\$4 to C\$42.50. The gold, metals and minerals and pipeline indices, all dependent on the level of the US dollar, fell back in tandem.

## SOUTH AFRICA

JOHANNESBURG drifted lower after last week's record highs and weekend revelations of secret government funding for Inkatha. The all-gold index fell 2.3% to 4,140 and the industrial index lost 6 to 4,041. The all-share index fell 18 to 3,523.

CES Sovran rose 1% to 827 on turnover of 1m shares and NCNB fell 5.1% to 855.75 after the two banks signed a definite pact on a share-swap merger which will create the third largest banking group in the

## ASIA PACIFIC

## Tokyo volume falls to lowest level since October 1986

## Tokyo

ACTIVITY waned in Tokyo on caution over the lingering effects of the stock scandals, and volume fell to 160m shares, the lowest since October 1986, writes Emiko Terazono in Tokyo.

The Nikkei closed 181.07 down at the day's low of 22,705.29; it hit a high for the session of 23,005.63 in the morning, but moved in a small trading range throughout the day. The fall was broadly based. The Topix index of all first section stocks shed 8.77 to 1,786.07, and the second market lost 19.88 to 3,078.81. In London the ISE Nikkei 500 index firmed 0.45 to 1,865.51.

Arbitrage-related selling towards the close depressed share prices. Investors also stayed on the sidelines ahead of Thursday's testimony by government officials before the House of Representatives finance committee.

An announcement by Nomura Securities of a press conference after the market closed also depressed sentiment. Nomura announced the resignation of chairman Mr Setsuya Tabuchi to become a company adviser, and said that Mr Yoshihisa Tabuchi, former president, would also step down from his present post of vice-chairman to become a company adviser. Reports of second-tier brokerage houses compensating favoured clients also discouraged investors.

There were fears that more scandals could be in the offing.

However, Mr Phillip Dodd at S.G. Warburg said the uncertain feeling that the market could move either way remained the situation in January before the Gulf war started. "If effects of the scandals clear up, we could see a rally lasting up to two to three months," he maintained.

Mr Takatoshi Okuyama of Daiwa Securities added that the strength of the yen against the dollar, and lower short-term interest rates, were positive factors, but that fears of more bad news were adding

to the selling pressure. Among second-tier brokers, New Japan Securities, which admitted to compensating favoured clients for investment losses, fell 7.21 to 1,615, while Wako Securities declined 1.15 to 1,625.

Speculative issues fell on concern over margin positions. Takuma, the boiler maker, slipped 10 to 1,140, and Nippon Carbon 112 to 853.

High-priced small companies, popular in recent months for their low liquidity, lost ground. Seven-Eleven Japan fell 1.40 to 1,750. Investors looking for quick profits had sent the issue up to a 1991 high of 1,825 in June.

In Osaka, the OSE average lost 85.17 to 25,894.52 on volume of 8.8m shares. Shares declined on light selling. Mitsubishi Electric fell 50 to 1,710.

Manila was closed for a national day of prayer.

TAIWAN continued its plunge, the weighted index dropping 252.29 or 4.9 per cent to 4,855.24 after a fall of 81.53 on Saturday. The market is now 22.4 per cent below its 1991 high of 6,305.22 registered

on May 9.

Turnover was a light T\$23.5bn. Sentiment was gloomy in spite of a year-on-year rise of 145 per cent in Taiwan's June export orders. After last month's licensing of 15 new banks, said dealers, investors were unwilling to keep banking shares.

BANGKOK scored its highest daily gain since March. Finance index led a broadly based advance as the SET index jumped 33.28 or 4.9 per cent to 704.01 on turnover of 4,830 bath. Until recently the market had been one of the weakest in the region.

SINGAPORE saw the Straits Times Industrial index rise 35.52 or 2.4 per cent to 1,491.40 in moderate trade, helped by a stable Wall Street and bargain

overseas investors rushed to buy leading stocks.

Buying orders triggered by hopes of a further reduction in interest rates sent the All Ordinaries index up 19.7 to 1,570.3; the interest was sparked by Reserve Bank governor Mr Bernie Fraser, who said on Friday that there was scope for an easing in money policy.

SEOUL hit a year's high for turnover, which rose to Won511bn as the composite index put on 5.77 to 659.51. Aggressive individual buying of major shares was matched by profit-taking.

BOMBAY fell on pre-budget nerves and selling ahead of today's holiday. The BSE index shed 36.07 or 2.48 per cent to 1,419.31. There were fears that cuts in government expenditure and tax increases would be announced in tomorrow's budget.

NEW ZEALAND ended slightly lower. Telecom, listed last Thursday, was steady at NZ\$2.30. The NZSE 40 Capital index eased 1.43 to 1,463.61.

## Taiwan

## Weighted Index

6,500

6,000

5,500

5,000

4,500

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

0

Jan 1991 Jul

Source: Datastream

## Roundup

APART FROM a gloomy and violent Taiwan, the region's equity markets seemed to be buzzing with life yesterday.

EUROPE

## Banks feature as summer holidays restrict activity

| FT-SE Eurotrack 100 - Jul 22 |         |         |         |         |         |         |         |       |       |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|-------|-------|
| Hourly changes               |         |         |         |         |         |         |         |       |       |
| Open                         | 10 am   | 11 am   | Noon    | 1 pm    | 2 pm    | 3 pm    | 4 pm    | Close | Staff |
| 1108.70                      | 1108.31 | 1108.44 | 1109.98 | 1111.17 | 1111.99 | 1112.97 | 1113.67 |       |       |
|                              |         |         |         |         |         |         |         |       |       |
| Day's High                   | 1113.75 |         |         |         |         |         |         |       |       |
| Jul 19                       | 1106.24 |         |         |         |         |         |         |       |       |
| Jul 17                       | 1104.60 |         |         |         |         |         |         |       |       |
| Jul 16                       | 1110.41 |         |         |         |         |         |         |       |       |
| Jul 15                       | 1111.59 |         |         |         |         |         |         |       |       |
|                              |         |         |         |         |         |         |         |       |       |
| Base value 1000 (1970)       |         |         |         |         |         |         |         |       |       |

there has been no follow-through after a brief period of out-performance early this year. "Our assessment," he added, "is that there will not be one until the prospect of a meaningful decline in domestic interest rates becomes more clearly defined."

MADRID had better luck with its banks, apart from Banesto. The sector features in a review by Nikko Securities which likes Spanish equities, and thinks that banks will command the initial focus of attention.

Banks were generally firm yesterday as the general index rose 1.83 to 268.32 but Ptitab to Pta3,525. Mr Mark Rorison of

Nikko said that last week's Banesto results seemed encouraging, but that the stock had run up on merger talk earlier this year and was probably vulnerable on that score.

In utilities, Endesa reported an 18 per cent rise in first half earnings and the shares rose Pta2.70 to Pta2.70.

PARTIS ended little changed.

The CAC 40 fell just 0.76 to 1,762.78 in thin turnover of FF1.2m, after Friday's FF1.2m.

The weakness of the French franc, which rose 1.2% on the day, was blamed on the Danish krone for bottom place in the Exchange Rate Mechanism, fading hopes of an interest rate cut and political uncertainty also deterred investors.

Analysts believe that

Elf Aquitaine was one of the day's busiest shares, rising FF15.20 to FF15.20 on volume of 211,700 shares. The stock, weak recently, was boosted by a buy recommendation from Goldman Sachs. After the close, the oil company said that it estimated its first half consolidated net profit at FF15.2m after FF14.5m.

FRANKFURT recovered from a day's low of 1,607.20 on the DAX index to close 0.98 lower at 1,623.05 after a fall of 3.97 to 1,675.49 in the FAZ at mid-session. Volume fell from DM5.7m to DM2.5m.

Market sentiment was dampened by a rise in the Bundesbank's average bond yield from 6.80 to 6.84 per cent on continued talk of higher interest rates, and by the widening probe by Frankfurt prosecutors into possible tax evasion by market operators.

Big stocks were mostly flat or little changed. Among second-liners, however, Degussa fell DM8.10 to DM7.42 on reports that the company was a potential takeover candidate if the founding family decided to sell. The stock, which gained 4.4 per cent on Friday, put on another 3.2 per cent or FF17.20 to FF17.90 in relatively heavy volume of 65,150 shares.

Reports that a French-led consortium would be awarded a £250m contract to build Britain's first toll motorway lifted GTM-Entreprise by FF15.70 to FF16.70 with 6,000 shares traded.

The weakness of the French franc, which fell 1.2% on the day, was blamed on the Danish krone for bottom place in the Exchange Rate Mechanism, fading hopes of an interest rate cut and political uncertainty also deterred investors.

Analysts believe that Johans

Mart, of the US, the previous week, was lifted by rumours that Wal-Mart intended to take control of Cifra. This was later denied by Cifra.

Profiting was evident during Friday's record-breaking session and Barings expects the market to consolidate in the near term. However, the broker believes that the market's fundamental outlook is still positive.

South Africa reached record peaks last Thursday and Friday to end the week 3.9 per cent higher in local currency terms. Analysts said the market continued to attract overseas investment, following the lifting of economic sanctions by the US, and South Africa's readmittance to the Olympic Games. There was domestic demand for De Beers and Anglo American, while Iscor, the steel company, attracted foreign interest.

Analysts believe that Johannesburg will be supported at current levels by the strength of scrip and by reports that the government is likely to raise the prudential guidelines for institutional equity investment from 65 per cent to 75 per cent.

Analysts believe that Johans

Mart, of the US, the previous week, was lifted by rumours that Wal-Mart intended to take control of Cifra. This was later denied by Cifra.

Profiting was evident during Friday's record-breaking session and Barings expects the market to consolidate in the near term. However, the broker believes that the market's fundamental outlook is still positive.

South Africa reached record peaks last Thursday and Friday to end the week 3.9 per cent higher in local currency terms. Analysts said the market continued to attract overseas investment, following the lifting of economic sanctions by the US, and South Africa's readmittance to the Olympic Games. There was domestic demand for De Beers and Anglo American, while Iscor, the steel company, attracted foreign interest.

Analysts believe that Johans

Mart, of the US, the previous